Financial Summary and Budgetary Review 1984-85

Alberta
TREASURY

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Alberta
TREASURY

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Provincial Treasurer's Report

This "Financial Summary and Budgetary Review" for the Government of Alberta covers the period April 1, 1984 to March 31, 1985. The purpose of the report is to review the state of the economy and the government's financial position. Readers who require further details are encouraged to refer to the provincial Public Accounts.

As forecast in the budget, Alberta's economy began its recovery in 1984 after a serious downturn over the previous two years. Growth was led by increasing demand for exports, notably oil and natural gas, and rising consumer expenditure.

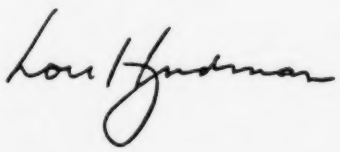
The main thrust of the 1984 Budget was to stay the course of the "hold-the-line" approach to government expenditure initiated in the previous year. Prudent financial management is essential to the encouragement of new, job-creating private sector investment.

The success of our financial strategy was demonstrated in the performance of the 1984-85 budgetary plan.

- Alberta recorded a budgetary surplus of $1.043 billion in Alberta in 1984-85, the only province to report a budgetary surplus that year.
- Budgetary expenditure fell by 2.8% compared to the previous year's level, the first year-over-year decrease in almost three decades.
- Our expenditure control efforts surpassed even our estimations as actual spending was 5% below the budget estimate.
- Budgetary revenue increased by 9.0% over the previous year's total and was well above the budget estimate due to such factors as the lower than expected value of the Canadian dollar and higher than expected oil production.
- The Heritage Fund contributed almost $1.6 billion in investment income to budgetary revenue, enough to fund two months out of the year for people services and facilities, demonstrating the fund's continuing usefulness as a "rainy day" umbrella.
- Debt servicing costs represented only one per cent of budgetary revenue.

The success at reducing government expenditure was achieved in a business-like but sensitive manner without disruption of services or reduction in the level of support for essential "people services".

The 1984-85 budgetary performance is a further demonstration of our commitment to expenditure restraint, responsible management of public funds and overall departmental efficiency.



Highlights

Budgetary Performance

- A budgetary surplus of $1,043 million was recorded in 1984-85, a dramatic turnaround from the 1983-84 budgetary deficit of $59 million.
- Net assets of the General Revenue Fund increased to $1,265 million at March 31, 1985 compared to $222 million at the end of the previous year.
- Total budgetary revenue in 1984-85 rose by 9.0% to $10,122 million.
- Actual budgetary revenue was 7.8% or $736 million higher than the budget estimate.
- Heritage Fund investment income transferred for budgetary purposes amounted to $1,575 million or 15.6% of total budgetary reve[illegible]
- Total budgetary expenditure in 1984-85 amounted to $9,079 million, a decrease of 2.8% from the previous year.
- Actual budgetary spending from voted appropriations was 5.0% below the budget estimate and 7.2% below total voted authorizations.
- Operating expenditure decreased by 1.9% to $7,548 million in 1984-85. Capital expenditure and grants for capital purposes amounted to $1,531 million, down 6.8% from the previous year.

SUMMARY BUDGETARY PLAN
(millions of dollars)

	1984-85 Actual	1984-85 Estimate	1983-84 Actual
Budgetary Revenue			
General Revenue	8,547	7,856	7,813
Heritage Fund Investment Income	1,575	1,530	1,469
	10,122	9,386	9,282
Budgetary Expenditure			
Operating	7,548	7,906	7,698
Capital	1,531	1,703	1,643
	9,079	9,609	9,341
Budgetary Surplus (Deficit)	1,043	(223)	(59)

Consolidated Financial Position

- A consolidated surplus of $1,246 million was recorded in 1984-85 compared to $127 million in the previous year.
- Consolidated net assets amounted to $12,635 million at March 31, 1985 compared to $11,389 million at the end of the 1983-84 fiscal year.
- Consolidated revenue reached $12,757 million in 1984-85, an increase of 11.3% over the previous year.
- Consolidated expenditure amounted to $11,511 million, up 1.6% from the previous year.

Economic Year in Review

During 1984 Alberta's economy started to recover. Growth returned to most sectors, driven by export and consumer demand. With inflation sharply lower, consumer expenditure almost matched its pre-recession high in real terms. Per capita personal income (Chart 1) continued to outpace the Canadian average. Net exports (Chart 2) continued to grow strongly, due partly to reduced imports of investment and construction related inputs, and partly to continued strong growth of the international market. Real government expenditure fell slightly from 1983, but remained above its pre-recession level.

In 1984 private investment expenditure accounted for 17.5% of Alberta's Gross Domestic Product. Historically high interest rates, the National Energy Program and weak world demand for Alberta's principal products combined to end the boom of the late 1970's and early 1980's. By the beginning of 1984, Alberta oil and gas producers had digested these negative influences sufficiently to resume more normal levels of exploration and development. Oil and gas drilling turned around sharply. Most construction activity remained depressed throughout 1984 while the market absorbed the overbuilding of the early 1980's, a process mostly completed by the end of the year. Despite these conditions, Alberta's 1984 level of investment expenditure on a per capita basis remained well above the Canadian average.

Almost all non-construction related industries started to recover in 1984. Only agriculture, plagued by poor weather conditions together with continued unfavourable market prices, continued to be depressed.

The Energy Sector

In 1984 the oil and gas industry had its best year since before the inception of the National Energy Program. Increased output, widened application of the New Oil Reference Price, and higher average natural gas prices led to a substantial increase in industry net income and cash flow. The Petroleum Monitoring Survey indicates that the internal cash flow of firms from production activities increased 14 per cent over 1983. This increased cash flow helped finance increased drilling. The year saw the drilling of 1,300 more exploratory and development wells than 1983, and an increase of about 28 per cent in footage drilled.

The volume of Alberta natural gas sales rose about 8 per cent in 1984. Exports to the United States rose by 5 per cent despite the persisting excess supply of natural gas in that country. The competitiveness of Alberta production in the U.S. market increased as contracts were re-negotiated under more permissive regulations. The total value of marketable Alberta natural gas, ethane, propane and butane rose over 12 per cent to $8.7 billion.

Demand for Alberta oil remained strong throughout 1984. Conventional production increased over 8 per cent due to additional discoveries in established regions and the use of more efficient extraction techniques. This more than offset the fall in synthetic crude oil output resulting from the lengthy shutdown of part of the Syncrude facility. Overall production of conventional and synthetic oil increased over 5 per cent compared to 1983. The total value of Alberta's crude oil and equivalent production rose over 9 per cent to $15.8 billion.

Agriculture

Alberta had an unusually poor crop year in 1984. A severe drought and grasshopper infestation in southern Alberta sharply reduced average grain yields, while record crops internationally continued to hold grain prices down. Of the major crops, only canola did well, with both production and prices up substantially. The value of livestock sold also rose, due to generally strong prices and a continued reduction in the beef herd.

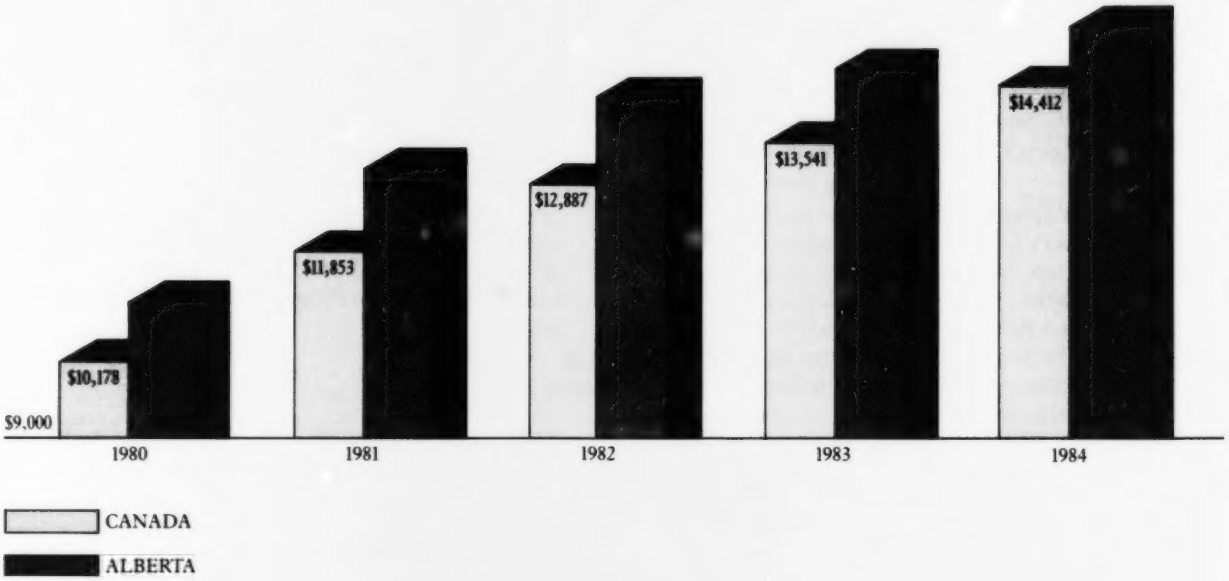
Total cash receipts rose over 6 per cent to $3.9 billion, due to inventory reductions and increased crop insurance and grain stabilization payments. In the absence of these changes, gross receipts would have fallen about 8 per cent. Total agricultural net income amounted to about $280 million, down 24 per cent from its 1983 level. The future growth and prosperity of this sector depends on successful expansion of Alberta's share of international markets. Our farmers produce high quality products which can be sold at competitive prices if our trading partners do not too heavily subsidize their agricultural sectors.

Manufacturing

Shipments of most manufacturing industries grew in 1984. By the end of the year, only the most construction dependent sectors — the wood, metal fabricating, and non-metallic mineral industries — had failed to show definite signs of an upturn. The petroleum and coal products industries continued to perform well with the value of their shipments having grown consistently in real terms over the past few years. Overall, the value of

CHART 1

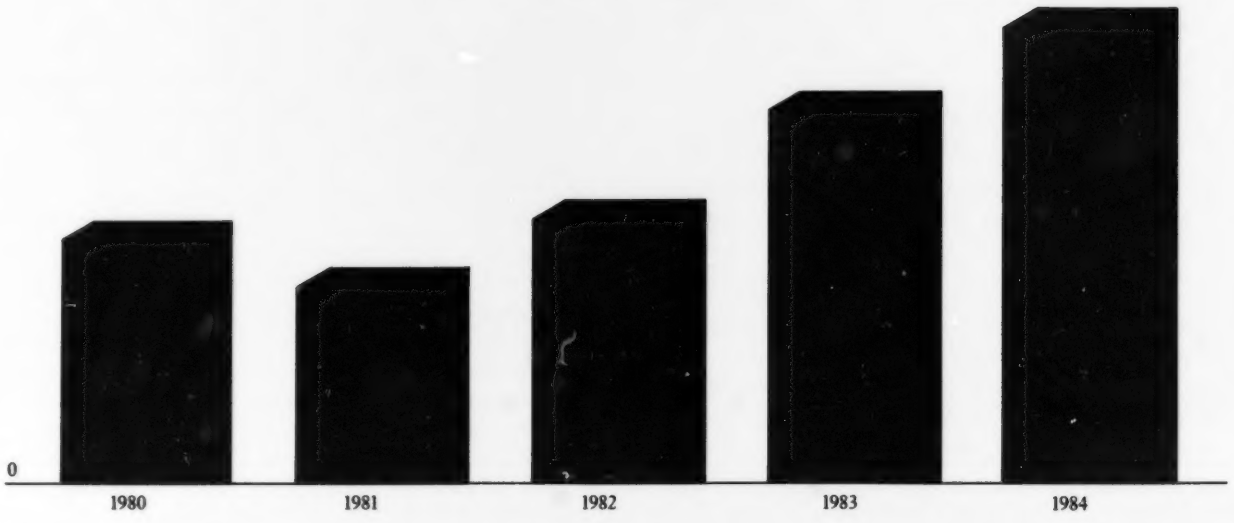
PERSONAL INCOME PER CAPITA,
CANADA AND ALBERTA



Source: Statistics Canada

CHART 2

NET EXPORTS, ALBERTA
(millions of dollars)



Source: Statistics Canada

Alberta's manufacturing shipments reached $13.9 billion in 1984, up over 8 per cent from 1983.

Employment

In 1984 the average number of persons employed in Alberta remained essentially constant. However, labour force participation rose to almost the 1981 level, maintaining the unemployment rate at a higher level than would otherwise have prevailed.

Reduced opportunities for full-time work, particularly in construction, led to continued net migration from the province. The net outflow rose to 35,600 for 1984, up 25 per cent from the 1983 level. Out-migration offset the difference between births and deaths in Alberta, leading to a pause in the growth of total provincial population.

Personal Income

In 1984 average weekly earnings for the Alberta industrial composite increased better than 4 per cent. This average wage increase together with the lack of growth in total employment and a slight shift from full-time to part-time employment, resulted in total wages and salaries paid in Alberta growing less than 2 per cent in 1984. However, total personal income, driven by increases in net income of unincorporated non-farm businesses and investment income, grew over 4 per cent to $35.9 billion, a new record in both nominal and inflation-adjusted terms.

ALBERTA ECONOMIC INDICATORS

	1983	1984	Percentage Change
GROSS DOMESTIC PRODUCT AND INCOME			
Real Gross Domestic Product ($ 1971 millions)	13,417	13,581	1.2
Gross Domestic Product ($ millions)[a]	54,742	57,597	5.2
Investment ($ millions)	13,894	12,147	-12.6
Wages and Salaries ($ millions)	22,562	22,945	1.7
Personal Income ($ millions)	34,490	35,900	4.1
Net Exports ($ millions)	8,533	10,467	22.7
WAGES AND PRICES			
Average Weekly Earnings ($)	466.62	485.96	4.1
Consumer Price Index (percentage change)[b]	5.2	2.6	—
LABOUR MARKET			
Population (thousands)	2,347	2,341	-0.3
Labour Force (thousands)	1,249	1,254	0.4
Participation Rate (per cent)	71.6	72.1	—
Employment (thousands)	1,115	1,114	-0.1
Unemployment Rate (per cent)	10.8	11.2	—
Net Migration (thousands)	-28.5	-35.6	24.9
SECTORAL INDICATORS			
Total Farm Cash Receipts ($ millions)	3,701	3,941	6.5
Value of Petroleum and Mineral Production ($ millions)	24,103	25,964	7.7
Manufacturing Shipments ($ millions)	12,788	13,856	8.4
Retail Sales ($ millions)	11,304	11,626	2.8
Housing Starts	17,134	7,295	-57.4

[a] At market prices.

[b] Average of the Edmonton and Calgary Consumer Price Indices.

Budgetary Revenue

Total budgetary revenue in 1984-85 amounted to $10,122 million, an increase of 9.0% over 1983-84. Actual budgetary revenue exceeded the budget estimate by 7.8%.

The transfer of Heritage Fund investment income for budgetary purposes added $1,575 million to budgetary revenue in 1984-85 compared to $1,469 million in 1983-84.

Chart 3 shows the breakdown of budgetary revenue by major source. Non-renewable resource revenue continued to be Alberta's chief source of revenue. It accounted for 39.0% of budgetary revenue in 1984-85. Total tax revenue accounted for 25.2% and constituted the second largest source of revenue. Heritage Fund investment income amounted to 15.6% of budgetary revenue and was the third largest source. Transfers from the Government of Canada accounted for 12.6% of budgetary revenue in 1984-85.

Taxes

Provincial taxes include personal and corporate income taxes, freehold mineral rights tax, tobacco tax, insurance corporation tax, pari-mutuel tax and several miscellaneous taxes.

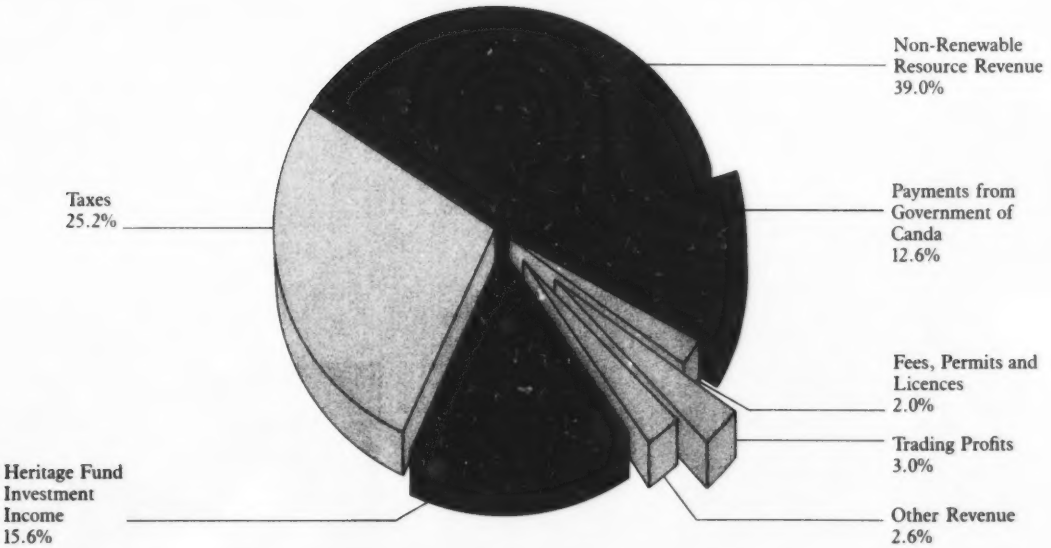
Alberta has the most favourable tax structure among the provinces. This includes the lowest provincial personal income tax rate, no retail sales tax (unlike all other provinces), no gasoline tax (unlike all other provinces but one) and one of the lowest corporate tax rates.

Total tax revenue in 1984-85 amounted to $2,553 million, almost unchanged from the previous year.

Personal income tax revenue amounted to $1,457 million, down 3.5% from the previous year despite the 5 point personal income tax rate increase effective January 1, 1984. The main factor accounting for the decrease was the repayment of prior year's tax which had been

CHART 3

BUDGETARY REVENUE
BY MAJOR SOURCE
1984-85


Non-Renewable Resource Revenue 39.0%
Payments from Government of Canda 12.6%
Fees, Permits and Licences 2.0%
Trading Profits 3.0%
Other Revenue 2.6%
Heritage Fund Investment Income 15.6%
Taxes 25.2%

Total Budgetary Revenue
$10,122.3 million

over-estimated by the federal government under the federal-provincial tax collection agreement.

Corporate income tax revenue increased by 4.3% to $762 million in 1984-85.

Non-Renewable Resource Revenue

Included in this revenue category are royalties on the production from Crown lands of crude oil, natural gas and by-products, synthetic oil and coal as well as land rentals and fees and the sale of Crown leases.

Partly offsetting royalty revenue are credits, rebates and incentive payments, notably the Alberta Petroleum Incentives Program, royalty tax credit and exploratory drilling and geophysical incentives.

Net non-renewable resource revenue amounted to $3,942 million in 1984-85, up 11.2% from the previous year.

Crude oil royalty amounted to $2,916 million in 1984-85, up 1.5% over the previous year. Reduced production of Old Oil was more than offset by higher NORP oil production and a decline in the exchange rate which increased the average wellhead price. Natural gas and by-products revenue totalled $1,942 million in 1984-85, up 14.7% over 1983-84 as sales in all gas export markets improved, particularly in the United States with the National Energy Board's more flexibile export gas pricing policy. Synthetic oil royalty dropped 55.5% to $135 million in 1984-85 due to increased cost allowances related to the Syncrude expansion currently in progress and the August, 1984 shut down of Syncrude due to fire.

Revenue from bonuses and sales of Crown leases increased by 36.0% to $662 million due largely to a growing optimism in new oil plays stemming from the anticipation of a federal-provincial agreement on oil deregulation.

Deductions for exploratory drilling and geophysical incentives increased by 73.2% to $128 million. This was due primarily to a change in budgetary policy to report both the credit and cash portions of the program as revenue reductions. In prior years only the credit portion was netted against revenue.

The royalty tax credit declined 34.8% over 1983-84 to $396 million. Under the Oil and Gas Activity Program, the royalty tax credit was enriched from 50% of royalties with a company maximum of $2 million to 75% of royalties with a company maximum of $4 million. The enrichment program expired on December 31, 1983 and the credit returned to previous rates.

The allocation to the Alberta Heritage Savings Trust Fund amounted to $719 million, down 5.0% from the previous year mainly as a result of the change in policy to charge the royalty tax credit against resource revenue rather than tax revenue.

Payments from Government of Canada

Government of Canada transfer payments to Alberta are mainly for hospital insurance, post-secondary education and extended health care under the Established Programs Financing Act and various cost-shared programs, most notably the Canada Assistance Plan.

Total federal transfer payments in 1984-85 amounted to $1,279 million, an increase of 31.1% over the previous year.

Cash payments under the Established Programs Financing Act for hospital insurance, post-secondary education and extended health care increased by 32.3% over 1983-84 to $650 million. The relatively large increase was caused by a combination of prior years' adjustments and the federal payments formula whereby slow growth in the value of provincial income tax revenue is partly offset by higher growth in cash payments.

Oil export charge revenue amounted to $195 million in 1984-85, more than double the previous year's level. The charge is based on the difference between domestic and export prices. The revenue increase was due to increases in both the price difference and the volume of exports.

Fees, Permits and Licences

This revenue category includes motor vehicle licences, land titles, timber rentals and fees and other miscellaneous charges.

Total fees, permits and licences revenue amounted to $203 million in 1984-85, up 22.0% over the previous year.

Motor vehicle licences revenue increased by 47.6% as a result of the new staggered licencing system and the phasing out of the truck licence rebates program.

Trading Profits

Trading profits are composed primarily of liquor board remittances.

The Alberta Liquor Control Board remitted $300 million to the Province in 1984-85. The remittances from the Board were down by 2.8% over 1983-84 because of reduced profits.

Other Revenue

Other revenue includes investment income, refunds of expenditure, fines and penalties, sales of assets and other miscellaneous revenue. Total other revenue amounted to $268 million in 1984-85, an increase of 4.9% over the previous year.

Heritage Fund Investment Income

The policy to transfer investment income earned by the Heritage Fund to the General Revenue Fund for budgetary purposes was initiated in September, 1982. In 1984-85 the transfer amounted to $1,575 million, an increase of 7.2% over the previous year. This was caused by a combination of factors: an increase in average money market interest rates; higher market value of marketable bonds due to lower long-term interest rates; and improved returns on the equity investment in Syncrude.

Budgetary Expenditure

Total budgetary expenditure in 1984-85 amounted to $9,079 which is 2.8% below the previous year's level. The year-over-year decline in budgetary expenditure demonstrated the success of the government's "hold-the-line" fiscal policy.

Actual voted expenditure was 5.0% below the budget estimate and 7.2% below total voted authorizations which included $281 million in special warrants.

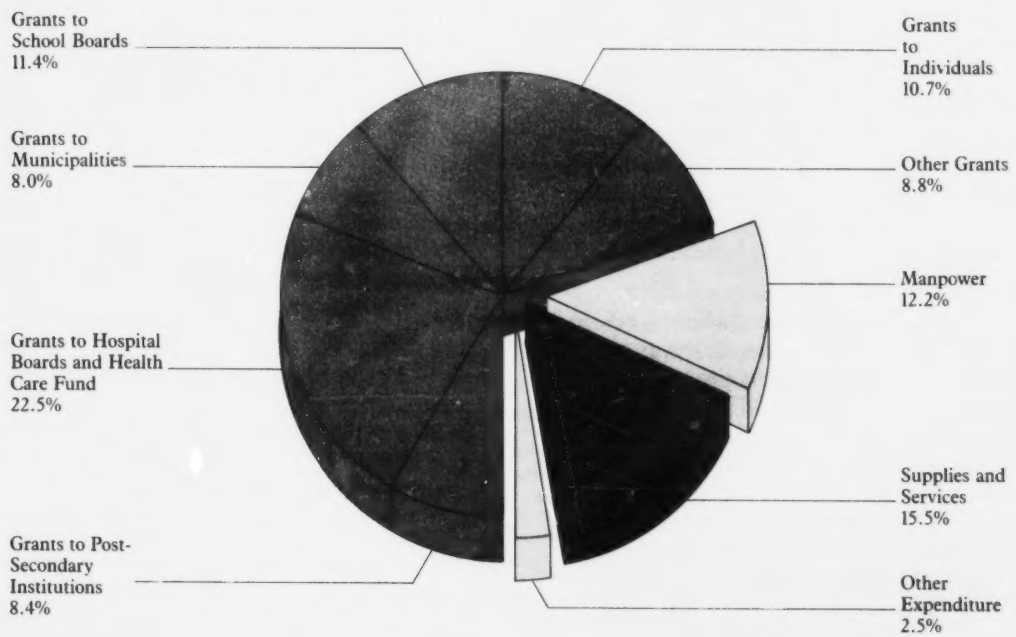
Operating expenditure amounted to $7,548 million, a decrease of 1.9% over the 1983-84 level. Capital expenditure and capital grants totalled $1,531 million in 1984-85, down 6.8% from 1983-84. Operating expenditure amounted to 83.1% of budgetary expenditure and capital expenditure and capital grants accounted for the other 16.9%.

Chart 4 illustrates the breakdown of total expenditure by object in 1984-85. Grants to individuals, school boards, colleges and universities, municipalities and hospital boards took up 69.8% of total expenditure. Manpower costs associated with government departments by comparison, accounted for only 12.2% of total expenditure in 1984-85.

The composition of expenditure by major function is illustrated in Chart 5. Health is Alberta's largest expenditure area accounting for 25.5% of total expenditure in 1984-85. Education is the next biggest spending field taking up 24.3%. Together, these two spending areas make up almost one-half of total expenditure.

CHART 4

BUDGETARY EXPENDITURE BY OBJECT
1984-85

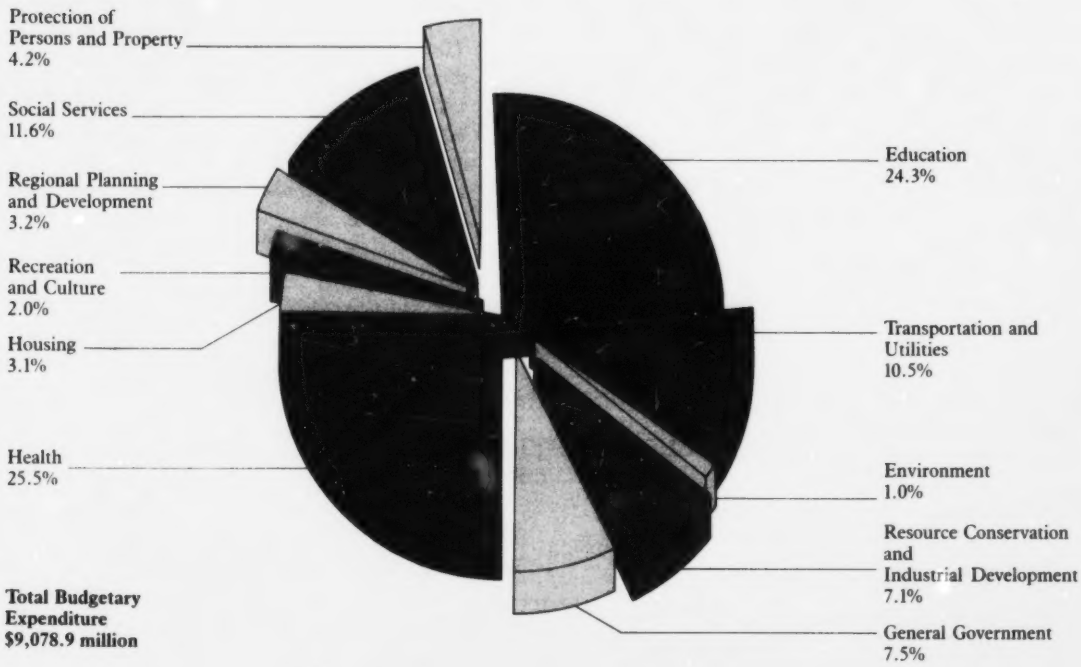

Grants to School Boards 11.4%
Grants to Individuals 10.7%
Grants to Municipalities 8.0%
Other Grants 8.8%
Manpower 12.2%
Grants to Hospital Boards and Health Care Fund 22.5%
Supplies and Services 15.5%
Grants to Post-Secondary Institutions 8.4%
Other Expenditure 2.5%

Total Grants
69.8%

Total Budgetary Expenditure
$9,078.9 million

CHART 5

BUDGETARY EXPENDITURE
BY MAJOR FUNCTION
1984-85



Health

Albertans are fortunate to have access to top flight health services and facilities. These include both active and auxiliary hospitals, nursing homes, health care insurance, and local and community health services. The cost of these facilities and services is high. Total expenditure on health in 1984-85 amounted to $2,318 million.

In 1984-85 funding for the operation of health care facilities and medical services amounted to $1,858 million, up only 3.4% from 1983-84 and proof that the government's policies were working.

Government cost control and awareness measures which were reflected in the operations of the health care system in 1984-85 included a freeze in the doctors' benefit schedule and the requirement that hospital boards are responsible for their deficits. As of March 1, 1986, no hospital has had to implement user charges. Hospitals are making ends meet by closely examining their operating costs.

The incremental operating costs of new and renovated hospitals and additional employee benefits provided in arbitration awards a year earlier amounted to $50 million in 1984-85. Wages and salaries constitute a major part of the cost of health care and they must be controlled to keep health care affordable.

Capital construction support for health care in Alberta in 1984-85 amounted to $206 million. This is part of the multi-year hospital construction and renovation program which saw 19 new hospitals opened and 52 projects in the planning, design and construction stages in 34 communities throughout Alberta in 1984-85. Construction also commenced on two state-of-the-art active care treatment hospitals, one in Edmonton and one in Calgary.

Education

The education field includes basic education, post-secondary education and manpower training. In 1984-85 total expenditure on education amounted to $2,203 million.

Basic education is the joint responsibility of the provincial government and local authorities. The province provides support in the form of grants to the School Foundation Program Fund and direct grants to school boards and private schools.

Provincial funding for basic education in 1984-85 amounted to $1,152 million. Alberta provides many special programs with greater scope and benefits than other provinces. Included among these are Early Childhood Services and special education programs for both gifted and handicapped students.

Operating grants to self-governing post-secondary institutions amounted to $605 million, up 5.5% over the previous year. Significant additional funding was provided in 1984-85 to reflect increased enrollments, the opening of new facilities and enhancements to courses.

Financial assistance to students in 1984-85 amounted to $79 million, up 38.5% over the previous year. This increase reflected both the generous support provided by the province and the increase in the number of students receiving financial aid. Approximately 45,000 students received support in Alberta in 1984-85 in the form of loans, grants, scholarships and remissions compared to 37,000 in 1983-84.

Funding for Alberta Manpower special employment programs reached $85 million in 1984-85. This funding was enhanced by the $250 million, multi-year Special Employment Initiatives Package that was announced in October 1984 to assist unemployed Albertans. Funding for manpower development and training assistance reached $48 million in 1984-85.

Social Services

Social services embodies a comprehensive range of social programs including social allowance, child welfare services, services for the handicapped, community social services, shelter support and day care programs. Total spending on social services amounted to $1,051 million in 1984-85.

Social aid to families and individuals in need under the Social Allowance Program amounted to $391 million in 1984-85, up 6.5% over the previous year. This program provides the basic necessities and special requirements for the unemployed employables, the aged and the handicapped.

Funding to provide a suitable environment for children in the care of the province amounted to $114 million. Spending for the care and rehabilitation of the handicapped rose to $109 million. The province also provided assistance to local authorities in support of family and community social services. This support totalled $24 million in 1984-85.

The Benefits and Income Support Program provides assistance to senior citizens to maintain relative independence, guarantees minimum allowance to severely handicapped Albertans, assists low income widows and widowers, and provides day care subsidies. Total expenditure under this program amounted to $180 million in 1984-85, up 12.4% from 1983-84.

The minimum property tax rebate benefit to seniors reduces the burden of property tax on senior citizen property owners. The senior citizen renter grant provides rental assistance to senior renters. In 1984-85 the property tax rebate benefit was set at $1,000 and rental grant at $1,200 for seniors in unsubsidized accommodation and $600 for those in subsidized accommodation. The total cost of these benefits to seniors in 1984-85 amounted to $88 million, an increase of 6.4% over the previous year.

Regional Planning and Development

The regional planning and development function includes financial support for municipal programs, community planning services, administrative and technical support to municipalities and land purchases. Total expenditure in this area amounted to $289 million in 1984-85.

Albertans continue to enjoy among the lowest property taxes in all of Canada thanks in large part to the continuing legacy of the one billion dollar Municipal Debt Reduction Program of 1979-80 and the Municipal Debenture Interest Rebate Program. The latter program was phased out in 1983 for new borrowing but continues to provide benefits to municipal taxpayers from lower interest costs on existing, qualified debts. Total expenditure under this program amounted to $112 million in 1984-85. Unconditional assistance grants to municipalities amounted to $95 million in 1984-85, up 4.5% from 1983-84.

Housing

Housing programs in Alberta provide shelter assistance to Albertans unparalleled anywhere in Canada. Total

expenditure in this area amounted to $284 million in 1984-85.

A major objective of the government has been to encourage sufficient housing supply and bridge the affordability gap faced by homeowners and renters. Direct subsidies are provided to low and middle income Albertans under the Alberta Family Home Purchase Program. Total cost of this program amounted to $56 million in 1984-85. Indirect subsidies to renters under the Core Housing Program amounted to $64 million in 1984-85, up 10.4% from 1983-84. The Renter Assistance Credit, which is a deduction against tax revenue, nearly doubled in 1984-85 to $86 million. The increase was due to the enrichment announced in the fall of 1982. The Heritage Fund Mortgage Interest Reduction Program provided $33 million in interest subsidies to homeowners in 1984-85. From its inception to March 31, 1985 the Program had provided $247 million in mortgage interest subsidies to over 150,000 Alberta homeowners. In addition, nearly 6,000 homeowners were assisted in negotiating mortgages to more favourable interest rates.

Recreation and Culture

The province provides funding to promote, encourage and coordinate the orderly development of recreational and cultural activities and facilities in the province. Total spending in this area amounted to $177 million in 1984-85.

Alberta will be the centre of world attention as Calgary hosts the XV Olympic Winter Games in 1988. An amount of $8 million was spent in 1984-85 on the first phase of Olympic developments. Provincial support will leave an unparalleled legacy of winter sport facilities for all Albertans to enjoy.

Financial assistance to municipalities and associations for the development and support of recreational facilities, services and activities amounted to $49 million in 1984-85, an increase of 17.1% over the previous year. Funding for the operation and maintenance of provincial parks reached $26 million.

Environment

The environment function includes pollution prevention and control measures, water resources management, land conservation and environmental research services. Total environment expenditure amounted to $94 million in 1984-85.

Funding was provided for work on the development of surface water supplies and planning and implementation of water development and control projects for agricultural, recreational and other uses under the Water Resources Management Program. Total expenditure under this program was $49 million in 1984-85.

Pollution prevention and control measures including air and water quality management, earth contamination prevention and waste management received funding of $16 million in 1984-85. Activities undertaken under this program included the setting of standards and codes of practice for water supply, water distribution and sewage treatment systems.

Resource Conservation and Industrial Development

This functional area includes economic development initiatives, management of Alberta's resources, assistance to agriculture and small business and promotion of tourism. Total spending in this area was $648 million in 1984-85.

To help build and strengthen small business, the backbone of Alberta's economy, the small business equity corporation program was launched in 1984-85. This program initially provided $15 million in seed money to stimulate the formation by private sector investors of pools of capital of up to $50 million. This program received an overwhelming endorsement from private investors. All the seed money was used in the first year and more money was provided.

Agriculture is basic to Alberta's renewable resource strength. To help reduce farm input costs, $62 million was provided under the Farm Fuel Distribution Allowance Program in 1984-85 better known as the purple fuel subsidy. Funding for the Agricultural Development Corporation rose by 23.3% to $81 million in 1984-85. Much of the increase went to assist beginning farmers.

Transportation and Utilities

This expenditure function includes the provision of transportation services and facilities and funding for the provision of utilities. Expenditure in this area amounted to $950 million in 1984-85.

Alberta has one of the most extensive and efficient transportation networks in the country. Capital improvements to the highway system reached $473 million in 1984-85.

Urban transportation grants to meet the province's existing commitments amounted to $134 million.

To assist in improving the quality of life in small communities, $89 million was provided in 1984-85 for

needed water and sewer projects and for gas utility developments in many Alberta communities.

Protection of Persons and Property

This functional area encompasses the administration of justice and enforcement of laws, control and regulation of policing and correctional institutions, and the regulation of trade practices in the market place. Expenditure in this area amounted to $383 million in 1984-85.

The federal Young Offenders Act was proclaimed on April 2, 1984 putting further pressures on the correctional services system in the province. An amount of $86 million was spent on correctional services in 1984-85. The increasing demand on our courts resulted in an expenditure of $55 million on court services in 1984-85 while financial support for legal aid increased by 7.2% to $11 million.

Provincial support for law enforcement including municipal police assistance grants and funding for the services of the Royal Canadian Mounted Police amounted to $81 million in 1984-85.

General Government

The general government expenditure function includes support for the Legislative Assembly, intergovernmental activities, Treasury financial management services, public works and the provision of accommodation and other central services to departments and some Crown agencies. Expenditure in this area amounted to $680 million in 1984-85.

The provision of public works amounted to $146 million in 1984-85. Of this amount, about 62.0% was spent outside the Edmonton and Calgary areas. Almost 58.0% of the public works expenditure was for completion and maintenance of existing facilities, a reflection of the large provincial capital development expenditure of recent years.

Debt servicing costs amounted to $105 million in 1984-85, virtually unchanged from the previous year. This represented only 1.0% of budgetary revenue.

Regulated Funds

Regulated funds are comprised of public money that is not part of the General Revenue Fund or public money that has been paid out of the General Revenue Fund into a designated fund by authority of an Act of the Legislature or a supply vote.

The Alberta Heritage Savings Trust Fund

Established in 1976 by an Act of the Alberta Legislature, the Alberta Heritage Savings Trust Fund is the largest and most important of the regulated funds. In deciding to save a portion of non-renewable resource revenues in a Heritage Fund, the Legislature recognized that Alberta's conventional oil and gas resources will be depleted over time and that the revenues they generate can fluctuate with factors beyond the province's control, such as international oil and gas prices. The savings in the Heritage Fund provide Alberta with another source of revenue when needed. The Heritage Fund is therefore a key tool in the province's financial management strategy.

From 1976-77 to 1982-83, the Heritage Fund received 30 per cent of the province's non-renewable resource revenue. In 1983-84, the transfer of resource revenue to the Heritage Fund was reduced to 15 per cent as a response to budgetary requirements. The 15 per cent transfer in 1984-85 amounted to $737 million. At March 31, 1985, the financial assets of the Heritage Fund totalled $12,274 million.

Since September, 1982, all the investment income of the Heritage Fund has been transferred to the General Revenue Fund to help meet the costs of government services such as health care, education and transportation. In 1984-85, Heritage Fund income contributed $1,575 million to budgetary revenues.

During the year, $323 million in new investments were made under the Alberta Investment Division. Investments under this Division serve to strengthen or diversify the Alberta economy and provide a reasonable financial return to the Fund. In 1984-85, the Heritage Fund provided financing totalling $262 million to provincial Crown corporations for purposes such as lending programs for small businesses, farms and agribusinesses, mortgage financing for low to middle income Albertans, and the construction of senior citizen housing. In addition, the Heritage Fund, through this Division, invested $13 million in participating first mortgage bonds of Ridley Grain Ltd. to help finance the construction of a grain terminal at Prince Rupert, B.C. The terminal was officially opened in May, 1985.

An orderly program of investment in common shares through the Commercial Investment Division continued in 1984-85. Since December, 1984, a policy modification has permitted the original $200 million limit on the Division to increase by the amount of net investment income earned by the Division. At March 31, 1985, the Commercial Investment Division had total investments (at cost) of $201 million with a market value of $300 million. The Division's equity portfolio is diversified, and holdings are limited to no more than 5 per cent of the shares outstanding of any one company.

In 1984-85, investments totalling $228 million were made under the Capital Projects Division bringing total deemed assets at March 31, 1985 to $2,162 million. Investments made through this Division provide long term economic or social benefits to the people of Alberta. By their nature, they do not necessarily yield a return to the Heritage Fund. Funds for these investments are voted annually by the Legislative Assembly.

Seventeen ongoing projects received $224 million in support. These included urban parks in a number of centres, specialized health care facilities, major irrigation works, and research into oil sands and enhanced oil recovery methods. Further, during 1984, the Legislature approved a $4 million investment for an Electronics Test Centre. The Centre, which was officially opened in December, 1985, will provide Alberta's growing electronics industry with a facility for the testing and design evaluation of products as well as assistance in product development.

The Pension Fund

The Pension Fund was established in 1981 by a transfer of $1,100 million from the General Revenue Fund. The Fund will help meet the costs of pension benefits being earned by employees of the province, local authorities and Alberta's universities whose pensions are administered and guaranteed by the province.

In 1984-85, the contributions made by employers and employees exceeded the benefits paid by $146 million. In addition, the Fund earned $264 million in income, resulting in a net increase in fund equity of $410 million. At March 31, 1985, the Pension Fund had assets of $2,570 million comprising a diversified portfolio of government and corporate bonds, money market securities, mortgages and equities.

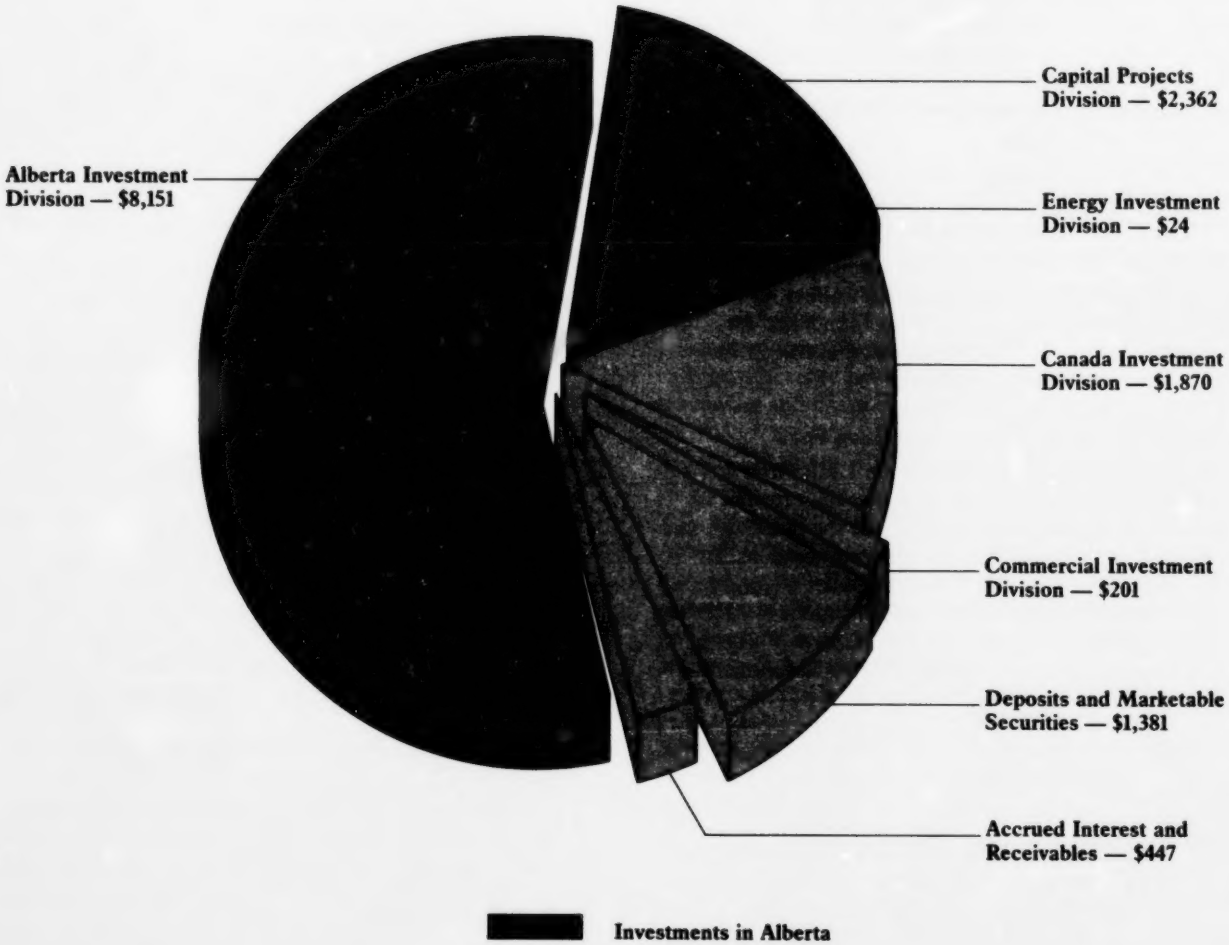
CHART 6

COMPOSITION OF ALBERTA HERITAGE SAVINGS TRUST FUND
AT MARCH 31, 1985

(Millions of Dollars)

Total Assets — $14,436

73 per cent of the Heritage Fund was invested in Alberta at March 31, 1985


Capital Projects Division — $2,362
Energy Investment Division — $24
Canada Investment Division — $1,870
Commercial Investment Division — $201
Deposits and Marketable Securities — $1,381
Accrued Interest and Receivables — $447
Alberta Investment Division — $8,151
Investments in Alberta

The Alberta Heritage Scholarship Fund

The Alberta Heritage Scholarship Fund was established in 1981-82 with an endowment of $100 million from the Capital Projects Division of the Heritage Fund. The Fund is administered by the Provincial Treasurer and the scholarships it supports are awarded through the Students Finance Board.

In 1984-85, the Scholarship Fund earned net income of $17 million. During the year, over $8 million was awarded to Alberta students under ten scholarship programs. At March 31, 1985, the assets of the Fund totalled $131 million.

The Alberta Heritage Foundation for Medical Research Endowment Fund

The Alberta Heritage Foundation for Medical Research Endowment Fund was established in 1979-80 with a contribution of $300 million from the Capital Projects Division of the Alberta Heritage Savings Trust Fund. The Provincial Treasurer administers the Fund, while a separate body, the Alberta Heritage Foundation for Medical Research, determines the research to be supported.

In 1984-85, the investment earnings from the Endowment Fund amounted to $50 million, of which $32 million was transferred to the Foundation for research programs. The Fund's assets at March 31, 1985, amounted to $433 million.

Alberta Provincial Corporation Loan Fund

The Alberta Provincial Corporation Loan Fund was established in 1983. The Fund allows the province to borrow in capital markets and relend the proceeds, on a matched basis, to provincial Crown corporations. At March 31, 1985, the Fund's assets totalled $429 million and consisted of short term debt obligations of Alberta Municipal Financing Corporation, Alberta Mortgage and Housing Corporation, and Alberta Government Telephones Commission.

Other Regulated Funds

The Health Care Insurance Fund made payments for basic and extended health services in the province amounting to $686 million in 1984-85. Of this, $354 million was provided by the province, $207 million by premium payments, $115 million by contributions from the Government of Canada and $10 million by interest income.

Incentives are provided through the Alberta Petroleum Incentives Program Fund (APIP) to eligible companies, individuals, and partnerships which are at least 50 per cent Canadian controlled, to encourage them to explore for and develop oil and natural gas in Alberta. This program is financed by annual transfers of non-renewable resource revenue from general revenues. APIP made grants totalling $430 million in 1984-85.

Another important regulated fund is the Utility Companies Income Tax Rebates Fund which rebates 95 per cent of federal and 100 per cent of provincial income taxes paid by privately owned electric utilities in the province. The utility companies in turn pass the savings along to consumers. In 1984-85, $269 million was returned to consumers in this way.

A number of additional regulated funds, which are reported on in Section 4 of Volume I of the Public Accounts, provide a variety of services which complement the programs of government departments.

Provincial Corporations

A provincial corporation is one which is either wholly-owned by the government or has the majority of directors appointed by the government. Provincial corporations deliver a range of government programs and initiatives. In most cases, the provincial corporations described in this section are supported financially by the General Revenue Fund.

Alberta Opportunity Company

The Alberta Opportunity Company (AOC) operates as a lender of last resort by providing loans and guarantees to small businesses unable to obtain financing on reasonable terms and conditions from conventional sources. In 1984-85, the Company authorized 292 loans and loan guarantees totalling $29 million.

AOC financed its lending activities and debenture repayments largely by borrowing $35 million from the Alberta Heritage Savings Trust Fund. To assist AOC with its operating costs, the Department of Tourism and Small Business provided a grant of $10 million.

Alberta Agricultural Development Corporation

The Alberta Agricultural Development Corporation's (AADC) loan and loan guarantee programs for farmers and agribusinesses supplement financing available from conventional lenders and other government lenders. A number of programs offer interest rebates to qualifying farmers. In 1984-85, the Corporation made 896 loan commitments totalling $109 million under its Beginning Farmer Program. The Corporation also committed $114 million in loans and loan guarantees to more established farms and agribusinesses.

To finance its lending operations, AADC borrowed $127 million from the Alberta Heritage Savings Trust Fund. The Corporation received an appropriation of $81 million through the Department of Agriculture to meet operating costs, the costs of interest rebates, and the difference between the Corporation's cost of borrowing and its interest revenues.

Alberta Municipal Financing Corporation

The Alberta Municipal Financing Corporation (AMFC) provides loans at current interest rates to municipalities, school systems and hospital boards in the province. During the year ended December 31, 1984, new loans totalled $554 million.

To finance these lending activities and to repay debentures issued in earlier years, AMFC borrowed $338 million from the Canada Pension Plan Investment Fund and $150 million in the Canadian public market.

Alberta Mortgage and Housing Corporation

On August 1, 1984, the Alberta Housing Corporation and the Alberta Home Mortgage Corporation were merged into the Alberta Mortgage and Housing Corporation (AMHC). AMHC's programs assist Albertans in two ways: by constructing rental housing for senior citizens and low to middle income Albertans; and by making mortgage loans to help low and middle income Albertans find affordable rental and ownership housing in the private market.

During 1984-85, the Corporation, through its Family Home Purchase Program, committed $39 million in mortgage loans for the purchase of 731 existing homes and the construction of 100 new housing units. In the same period, funds were committed to construct 337 units under its Senior Citizens Self-Contained Program. As well, commitments were made for 65 units in Senior Citizens Lodges and 21 units under the Community Housing Program for low to moderate income Albertans of all ages.

To finance these activities and repay debentures issued in earlier years, AMHC borrowed $100 million from the Alberta Heritage Savings Trust Fund and $48 million (net) by issuing promissory notes to the Provincial Corporation Loan Fund. The Corporation received an appropriation of $186 million from the Department of Housing to meet operating costs, the cost of subsidies and the difference between the Corporation's cost of borrowing and its interest revenues.

Alberta Oil Sands Technology and Research Authority

The Alberta Oil Sands Technology and Research Authority (AOSTRA) promotes the development of new technology both for the recovery and processing of petroleum from oil sands deposits and heavy crude reserves and for enhanced recovery from conventional reserves. To achieve these objectives, AOSTRA supports research activities and participates with the private sector in pilot projects. AOSTRA obtains ownership of the technology derived from the projects it funds and makes this technology available to all interested parties on business terms.

During the year ended March 31, 1985, AOSTRA received $50 million through an appropriation from the Capital Projects Division of the Heritage Fund, $3.3 million from the General Revenue Fund for administrative costs, and $2 million from the sale of technology.

Other Provincial Corporations

The Energy Resources Conservation Board (ERCB) is responsible for regulatory and other functions relating to the exploration, development, production and transportation of Alberta's energy resources. The Alberta Hail and Crop Insurance Corporation provides Alberta farmers with insurance against crop losses caused by hail and other natural hazards. The Alberta Educational Communications Corporation (ACCESS) provides educational broadcasting services and develops, produces and distributes educational programs and materials.

Commercial Enterprises

The provincial corporations, committees and enterprises included in this section are those which operate on the basis of their full cost being supported by charges for goods and services. These entities do not receive subsidies from the General Revenue Fund.

Alberta Government Telephones

The Alberta Government Telephones Commission (AGT) provides Albertans with telephone, telecommunication and data processing services. In the year ended December 31, 1984, AGT's total revenues increased by 10 per cent to $1,040 million, while its expenses increased by 6 per cent to $1,029 million. Through a number of cost reduction and productivity measures, AGT reduced the growth in expenses from previous years and achieved a net income of $11 million, a $34 million turnaround from the 1983 loss of $23 million.

During 1984, AGT invested $216 million in new capital assets, bringing total assets to $2,324 million. These capital expenditures were largely financed by issuing debentures totalling $50 million through private placement, $144 million in short term notes and the rest from internally generated funds.

Treasury Branches

Treasury Branches provide a wide variety of financial services to 218 Alberta communities through a network of 131 branches and 109 agencies. During 1984-85 deposit balances increased by $788 million to $4,154 million. Treasury Branches' loan portfolio increased by $553 million to $3,394 million. Total assets amounted to $4,232 million at year end.

For the year ended March 31, 1985, Treasury Branches had a net loss of $5 million primarily as a result of the level of non performing loans.

Alberta Liquor Control Board

The Alberta Liquor Control Board's (ALCB) net income for the year ended December 31, 1984 totalled $302 million of which $300 million was remitted to the General Revenue Fund. The balance was used to purchase fixed assets and provide for the current requirements of the Board.

Other Commercial Enterprises

Other commercial enterprises include the Workers' Compensation Board which provides medical and vocational rehabilitation and compensation to injured workers through an industry supported insurance program and Alberta Terminals Ltd. which operates inland grain terminals at Calgary, Edmonton and Lethbridge.

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The financial statements in this publication are extracted from the audited financial statements published in the Public Accounts of Alberta, 1984-85.

A. G. Heisler, C. A.
Controller

Introduction

General Revenue Fund Financial Statements

The General Revenue Fund of the Province receives all public money, except money over which the Legislature has no power of appropriation and money which is otherwise specially disposed of by legislation. Once received in the General Revenue Fund, funds may be expended on the authority of a supply vote approved by the Legislative Assembly, a special warrant ordered by the Lieutenant Governor in Council, or a provincial statute.

Public money over which the Legislature has no power of appropriation is money paid in trust to the Province to be used for the purposes prescribed by the payer or settlor. Money otherwise specially disposed of by legislation represents fees or other revenues directed by legislation to be paid into a regulated fund to be used for special purposes. All other public money is paid into the General Revenue Fund.

Expenditures are made from the General Revenue Fund on the authority of supply votes approved by the Legislature, including special warrants ordered by the Lieutenant Governor in Council which are deemed to be supply votes. These expenditures are reported in the General Revenue Fund financial statements as budgetary expenditure — voted appropriations.

Expenditures may be made from the General Revenue Fund on the authority of legislation which may direct the transfer of revenue to another fund, shown in the financial statements as a reduction of budgetary revenue; or which directs certain types of expenditure which are disclosed as budgetary expenditure — statutory appropriations.

The term "Budgetary" is used to describe revenue or expenditure that affects General Revenue Fund "Net Assets". Non-budgetary transactions affect financial claims or liabilities recorded in the General Revenue Fund Statement of Reported Assets, Liabilities and Net Assets but do not change the "Net Assets" or surplus position.

Consolidated Financial Statements

The consolidated financial statements aggregate the financial operations and results of the General Revenue Fund, the Alberta Heritage Savings Trust Fund, other regulated funds, revolving funds, and certain provincial corporations and committees. These statements provide comprehensive information regarding the Province's overall financial operations. This information is not readily apparent from examination of the financial statements of each separate entity. A more detailed explanation of accounting policies used in the preparation of the consolidated statements is provided in the notes to the financial statements.

General Revenue Fund

Statement of Reported Assets, Liabilities and Net Assets
March 31, 1985

	In thousands	
	1985	1984
Assets		
Cash and term deposits	$ 648,112	$ 278,648
Accounts receivable	979,680	901,470
Investments — marketable securities (Schedule 1)	427,942	423,905
Investments — long term (Schedule 2)	156,252	116,158
Loans and advances to government enterprises (Schedule 3)	367,258	370,197
Loans and advances — other (Schedule 4)	45,526	44,680
	$2,624,770	$2,135,058
Liabilities and Net Assets		
Liabilities		
Accounts and loans payable	$ 911,662	$ 927,100
Unearned revenue and suspense (Schedule 5)	49,238	69,145
Unmatured debt (Schedule 6)	398,936	917,228
	1,359,836	1,913,473
Net Assets		
Net assets at beginning of year		
As previously reported	221,585	287,978
Prior period adjustment	—	(7,019)
As restated	221,585	280,959
Budgetary surplus (deficit)	1,043,349	(59,374)
Net assets at end of year	1,264,934	221,585
	$2,624,770	$2,135,058
Guarantees and indemnities (Schedule 10)	$ 465,049	$ 438,012

See accompanying notes to the financial statements.

Statement of Budgetary Revenue and Expenditure
For the Year Ended March 31, 1985

In thousands

	1985		1984
	Budget(a)	Actual	Actual
Budgetary revenue (Schedule 7):			
General revenue:			
Taxes	$2,666,000	$2,552,759	$2,549,691
Non-renewable resource revenue	3,553,000	3,942,386	3,545,367
Payments from Government of Canada	968,000	1,279,465	976,300
Fees, permits and licences	194,000	203,402	166,676
Utility and trading profits	306,000	301,427	320,007
Other	169,000	267,563	255,115
	7,856,000	8,547,002	7,813,156
Heritage Fund investment income	1,530,000	1,575,285	1,469,217
	9,386,000	10,122,287	9,282,373
Budgetary expenditure (Schedule 8):			
Health	2,517,444	2,318,258	2,314,256
Education	2,131,454	2,203,312	2,065,864
Social services	1,120,376	1,051,321	985,463
Regional planning and development	309,705	289,464	257,114
Housing	376,537	283,959	544,707
Recreation and culture	179,411	177,341	146,046
Environment	95,472	93,936	91,398
Resource conservation and industrial development	604,407	648,348	795,856
Transportation and utilities	1,023,709	949,891	1,064,325
Protection of persons and property	402,005	382,701	377,282
General government	833,383	661,125	669,650
Salary contingency	1,000	—	—
	9,594,903	9,059,656	9,311,961
Voted appropriations	9,376,660	8,912,376	9,220,921
Statutory appropriations	218,243	147,280	91,040
	9,594,903	9,059,656	9,311,961
Valuation adjustments (Schedule 9)	14,250	19,282	29,786
	9,609,153	9,078,938	9,341,747
Budgetary surplus (deficit)	$ (223,153)	$1,043,349	$ (59,374)

(a) Budgetary expenditure — voted appropriations is reduced by $58,250,000 voted for investment purposes.

Statement of Changes in Financial Position
For the Year Ended March 31, 1985

In thousands

	1985		1984
	Budget	Actual	Actual
Operating transactions:			
Budgetary surplus (deficit)	$ (223,153)	**$1,043,349**	$ (59,374)
Add (deduct) non-cash items:			
Amortization of discount on investments and debt, net	—	**68,818**	58,478
Amortization of deferred realized gains and losses on sinking fund investments	—	**230**	175
Loss (earnings) on investments valued at equity	—	**(707)**	66
Increase (decrease) in provision to reduce investments to aggregate market value	—	**(10,371)**	10,371
Increase in provision for exchange on debt payable in United States funds	250	**2,715**	1,278
Increase in provision for doubtful accounts and loans	14,000	**26,938**	18,137
Increase in receivables	—	**(101,091)**	(171,425)
Decrease in payables	—	**(15,438)**	(175,590)
Increase (decrease) in unearned revenue and suspense	—	**(19,907)**	12,475
Cash provided by (applied to) operating transactions	(208,903)	**994,536**	(305,409)
Investing transactions:			
Purchase of investments:			
Marketable securities	—	**(15,589)**	—
Long term	(58,250)	**(49,570)**	(46,021)
Loans and advances:			
Government enterprises	(90,600)	**(51,775)**	(365,167)
Other	(1,700)	**(10,226)**	(7,782)
Disposals, repayments and redemptions of investments:			
Marketable securities	—	**22,687**	123,372
Long term	—	**10,183**	25,934
Repayments of loans and advances:			
Government enterprises	40,170	**55,367**	44,985
Other	2,294	**4,670**	1,987
Cash applied to investing transactions	(108,086)	**(34,253)**	(222,692)

Statement of Changes in Financial Position (cont'd)

In thousands

	1985		1984
	Budget	Actual	Actual
Financing transactions:			
Issue of:			
Treasury bills	$2,538,300	[illegible]	$2,540,056
Promissory notes	2,394,000	[illegible]	572,011
Debt retirement:			
Redemption of:			
Treasury bills	(2,600,000)	[illegible]	(2,600,000)
Promissory notes	(1,800,000)	[illegible]	(421,600)
Purchase of own Treasury bills	—	[illegible]	—
Sinking fund	(13,000)	[illegible]	(13,046)
Deferred realized gains/losses on sinking fund investments	—	[illegible]	473
Cash provided by (applied to) financing transactions	519,300	[illegible]	77,894
Increase (decrease) in cash and term deposits	$ 202,311	[illegible]	$ (450,207)

Notes to the Financial Statements

Note 1
Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies:

(a) Reporting entity

The reporting entity is the General Revenue Fund. Activities of Provincial agencies and regulated funds are reported only to the extent of advances made from or repaid to the General Revenue Fund, contributions from the General Revenue Fund to cover expenses or operating deficits and repayments of contributions in excess of current requirements. Financial claims of and on revolving funds are included in the General Revenue Fund statements and the net funds required to finance revolving fund operations have been charged to budgetary expenditure.

(b) Basis of financial reporting

Revenues

Budgetary revenues are reported on an accrual basis except for net personal and corporate income taxes which are reported on a cash basis. Non-renewable resource revenue includes an estimate of revenue receivable from certain categories of resource royalty payors as well as various adjustments applicable to prior years. As the need for adjustment of this revenue is identified in future years, the adjustment will be reflected in revenue of those years.

Expenditures

Expenditures represent the cost of goods and services acquired during the year and expenditures made or accrued in accordance with the conditions of approved grant programmes, including capital acquisitions, expenditures on capital programmes and grants for capital purposes.

Pension costs are reported on a current contributions basis and no provision is made for actuarial estimates of additional annual costs.

No provision is made for accrued employee vacation entitlements.

Reported Assets and Liabilities

Reported assets are limited to financial claims due to the General Revenue Fund and revolving funds as a result of events and transactions prior to March 31, 1985 except that net personal and corporate income taxes receivable are not reported.

Liabilities include all financial claims payable by the General Revenue Fund and revolving funds at March 31, 1985. No provision is made for actuarial estimates of liabilities in respect of the present or future benefits payable under Pension Acts with benefits directly chargeable to or guaranteed by the Province, accrued employee vacation entitlements, amounts payable under the Alberta Income Tax Act, the Alberta Corporate Income Tax Act, commitments under construction or other contracts and agreements at the year end, including capital equipment leases.

Marketable securities are valued at cost or market value, whichever is lower, on an aggregate basis.

Long term investments are recorded at cost, except for investments in wholly owned Provincial corporations operated as commercial enterprises which are valued on an equity basis.

Sinking fund investments are carried at adjusted cost which includes deferred unamortized realized gains and losses. Realized gains and losses on disposals of sinking fund investments are considered to be an adjustment of future portfolio yield and are deferred and amortized on a straight line basis over the lesser of the remaining term to maturity of the investment disposed of or ten years.

Debentures included in unmatured debt are recorded at face amount of the issue plus a provision for exchange on debt payable in United States funds at the March 31 rate of exchange, less sinking fund assets. Treasury bills and promissory notes are recorded at issue principal less unamortized discount and investments in Province of Alberta issues, where applicable.

Consistent with the reporting of capital acquisitions as expenditure, fixed assets are not reported.

Note 2
Pension Liabilities and Commitments

Pension receipts and pension payments are recorded initially in the General Revenue Fund and subsequently transferred to the Pension Fund, pursuant to section 5 of the Pension Fund Act. The Act provides that payments in excess of Pension Fund net assets are to be charged to the General Revenue Fund. Pension Fund net assets at March 31, 1985 amounted to $2,564,204,000 (1984 — $2,153,923,000).

Actuarial valuations of the following Pension Acts were carried out at March 31, 1985 and estimated accrued liabilities were as undernoted.

Local Authorities Pension Act	$2,684,007,000
M.L.A. Pension Act	30,215,000
Public Service Management Pension Act	904,734,000
Public Service Pension Act	1,654,033,000
Special Forces Pension Act	389,281,000
Universities Academic Pension Act	780,944,000
Total liability	6,443,214,000
Less Pension Fund balance at March 31, 1985	2,564,204,000
Unfunded accrued liability	$3,879,010,000

The above figures were estimated by calculating the present value, at March 31, 1985, of benefits that accrued in respect of service to that date. The valuations were based on a common set of economic assumptions, including rate of salary increases due to inflation, interest rates and rates of discretionary cost of living increases for present and future retired members. Some of the demographic assumptions used in estimating the above liabilities, including termination, retirement and salary increases due to promotion and merit, varied from plan to plan according to the particular characteristics of each plan.

Under provisions of the Teachers' Retirement Fund Act, payment of all benefits is guaranteed by the Province of Alberta. An actuarial valuation at August 31, 1983 indicated that Teachers' Retirement Fund assets were insufficient by an amount of approximately $1,332,500,000 to meet the liabilities of the fund. The actuarial valuation was based on a different set of assumptions to those used for the above Pension Acts. When preparing the 1983 valuation, the consulting actuary estimated that the unfunded accrued liability would amount to approximately $1,480,000,000 at March 31, 1985.

Note 3
Contingent Liabilities

The Province has a contingent liability in respect of a statement of claim issued on February 19, 1982. The plaintiffs are the members of the Lubicon Lake Band and the Cree Community of Little Buffalo Lake. The defendants are the Province of Alberta and a number of oil companies. The plaintiffs claim entitlement to at least 60 square miles of land in Northwestern Alberta as a reserve. They are also claiming $700,000,000 in lieu of royalties and revenues, or alternatively a reserve of 60 square miles including mines and minerals together with $200,000,000 damages, and interest on all amounts.

The Province has a contingent liability in respect of a statement of claim filed by eight Metis Settlement Associations. On February 2, 1977 it was contended that the Province had received approximately $30,000,000 from the sale, lease or rental, royalties and fees from the petroleum and natural gas rights on certain lands and that the Associations were entitled to the aforesaid monies as well as all monies thereafter accruing from these petroleum and natural gas rights.

The Province also has a contingent liability in respect of three other native land or mineral rights claims in which the amounts claimed are unspecified.

At March 31, 1985 the Province was named as defendant in various legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $103,525,000. Potential claims amount to approximately $106,000. The resulting loss, if any, from these claims and potential claims cannot be determined.

The Province has a contingent liability to return to Indian Bands its share of oil export tax relating to the period October 1, 1973 to March 31, 1974 in respect of oil production from Indian lands. The Province is committed to return its share of oil export tax, which amounts to approximately $4,650,000, if the federal government makes a similar decision in respect of its share.

Details of guarantees and indemnities are shown in Schedule 10.

No provision has been made in the financial statements for contingent liabilities resulting from litigation, guarantees and indemnities.

Note 4
Contingent Assets

The Province has a contingent asset of $9,936,000 in respect of deductions made under section 20 of the Canada Health Act by the Government of Canada from payments to the Province as financial penalties for extra billing by medical practitioners or dentists, and hospital admission fees. The amounts deducted are to be accounted for separately in the Public Accounts of Canada for the three consecutive fiscal years that commence immediately on the coming into force of the Canada Health Act. If in any of those three fiscal years extra billing or user charges have in the opinion of the Federal Minister been eliminated, the total amount deducted in respect of extra billing or user charges as the case may be shall be paid to the Province. Any settlement resulting from the resolution of this contingency will be accounted for as income of the period in which the settlement occurs.

Note 5
Comparative Figures

The 1984 figures have been restated where necessary to conform to the 1985 presentation.

Schedules to the Financial Statements

Schedule 1
Investments — Marketable Securities

	In thousands			
	1985		1984	
	Cost	Market Value	Cost	Market Value
Bonds and Debentures:				
Government of Canada, direct and guaranteed	$ 29,701	$ 25,345	$ 30,822	$ 23,388
Province of Alberta, direct and guaranteed	289,510	319,395	288,957	308,981
Other provinces, direct and guaranteed	72,254	60,268	74,722	56,072
Board of Governors of the University of Alberta	5,097	4,879	5,142	4,870
Municipal	3,005	2,093	3,390	2,128
School districts and divisions	713	624	1,093	869
Corporate	5,689	4,529	9,212	7,793
	405,969	417,133	413,338	404,101
Shares	327	87	—	—
Mortgages	10,966	10,707	19,594	18,522
Long term promissory notes	10,680	9,668	1,344	1,282
	$427,942	$437,595	$434,276	$423,905

Schedule 2
Investments — Long Term

	In thousands	
	1985	1984
Alberta Municipal Financing Corporation Class A shares, at cost	$ 45	$ 45
Chembiomed Ltd. preferred shares, at cost	3,369	3,369
Global Thermoelectric Power Systems Ltd. preferred shares, at cost	2,934	1,690
Native Venture Capital Co. Ltd.		
Class A common shares, at cost	10	10
Class B common shares, at cost	10	10
Class A preferred shares, at cost	1,980	1,980
Pacific Western Airlines Corporation common shares, at cost	1,444	11,627
Ridley Grain Ltd. non-interest bearing participating series A debenture, at cost	125,170	79,344
General Systems Research Ltd. non-interest bearing participating debenture, at cost	2,500	—
Total at cost	137,462	98,075
Alberta Terminals Ltd. common shares, at equity (a)	18,790	18,083
Total at equity	18,790	18,083
	$156,252	$116,158

(a) The investment in Alberta Terminals Ltd., representing 100% of the outstanding voting shares, is valued at equity, being cost adjusted for post-acquisition operating results. Equity at March 31, 1985 represents cost $17,528,000 (1984 — $17,528,000) plus retained earnings of $1,262,000 (1984 — $555,000).

Schedule 3
Loans and Advances to Government Enterprises

	In thousands	
	1985	1984
Loan Funds:		
Rural Electrification Revolving Fund	$ 47,935	$ 46,436
Students Loan Fund	289	326
Homestead Lease Loan Fund	8	8
Municipal Loans Revolving Fund	—	182
	48,232	46,952
Other Regulated Funds and Agencies:		
Alberta Mortgage and Housing Corporation	311,500	318,000
Alberta Resources Railway Corporation	9,429	9,429
Alberta Hail and Crop Insurance Corporation	3,753	2,245
Motion Picture Development Fund	3,000	3,000
Alberta Opportunity Company	312	312
Alberta General Insurance Company	110	—
Public Trustee	24	24
	328,128	333,010
	376,360	379,962
Less allowance for doubtful loans and advances	9,102	9,765
	$367,258	$370,197

Schedule 4
Loans and Advances — Other

	In thousands	
	1985	1984
Advances under the Municipal Land Loans Act — cities	$15,881	$17,137
Accountable advances	15,205	11,137
Airport terminal costs recoverable from the Government of Canada	3,753	3,833
Chembiomed Ltd.	3,705	2,125
Global Thermoelectric Power Systems Ltd.	3,129	1,727
University of Alberta Students' Union	2,471	2,576
Guarantees implemented	1,829	4,365
Canadian Co-operative Implements Ltd.	1,575	1,575
Foothills Provincial General Hospital	1,500	1,500
University of Calgary Students' Union	1,368	1,420
Judgement debts	1,268	1,422
Myrias Research Corporation	1,250	—
Rural gas co-operative lien notes implemented	1,169	1,102
University of Alberta Hospital	900	900
Advances under water transmission pipeline agreements	818	818
Provincial Cancer Hospitals	451	451
Glenrose Rehabilitation Hospital	350	350
Advances under the Cemeteries Act	85	85
General Systems Research Ltd.	—	1,000
Miscellaneous	3	3
	56,710	53,526
Less allowance for doubtful loans and advances	11,184	8,846
	$45,526	$44,680

Schedule 5
Unearned Revenue and Suspense

	In thousands 1985	1984
Unearned Revenue:		
Cash on hand or in transit in respect of revenue of the next fiscal year	$46,767	$67,064
Suspense:		
Cash on hand or in transit which will be disbursed to other funds, refunded or credited to revenue of the next fiscal year	2,471	2,081
	$49,238	$69,145

Schedule 6
Unmatured Debt

Date of Issue	Date of Maturity	Principal Outstanding	In thousands Deduct Sinking Fund Assets	Net Unmatured Debt 1985	1984
Debentures:					
Canada Pension Plan Investment Fund					
July 4, 1972	July 4, 1992	$ 9,107	$ 4,434	$ 4,673	$ 5,327
Aug. 1, 1972	Aug. 1, 1992	7,520	3,640	3,880	4,421
Sept. 1, 1972	Sept. 1, 1992	8,402	4,037	4,365	4,964
Oct. 2, 1972	Oct. 2, 1992	5,724	2,730	2,994	3,398
Nov. 1, 1972	Nov. 1, 1992	5,947	2,820	3,127	3,548
Dec. 1, 1972	Dec. 1, 1992	5,484	2,576	2,908	3,288
Other					
Dec. 2, 1968	Dec. 2, 1988	12,500	7,792	4,708	5,728
Apr. 15, 1970	Apr. 15, 1990	3,000	1,717	1,283	1,520
Nov. 16, 1970	Nov. 16, 1990	35,000	19,185	15,815	18,462
Jun. 15, 1971	Jun. 15, 1991	25,000	13,162	11,838	13,701
Oct. 15, 1971	Oct. 15, 1991	50,000	25,683	24,317	27,993
Mar. 31, 1972	Mar. 31, 1992	4,000	1,986	2,014	2,304
Dec. 1, 1967	Dec. 1, 1992	20,000	13,226	6,774	8,459
Mar. 1, 1969	Mar. 1, 1994	41,010(a)	25,170	15,840	17,888
		$332,694	$128,158	104,536	121,001
91 day Treasury bills				420,000	650,000
Less unamortized discount				5,027	8,029
				414,973	641,971
Less investment in own Treasury bills				180,573	—
				234,400	641,971
Promissory notes				60,000	155,000
Less unamortized discount				—	744
				60,000	154,256
				$398,936	$917,228

(a) Includes provision for exchange at year end on debentures payable in United States funds (U.S. $30,000,000).

Schedule 7
Budgetary Revenue

In thousands

	1985		1984
	Budget	Revenue	Revenue
Taxes:			
Personal income tax	$1,741,000	$1,456,652	$1,509,933
Corporate income tax	615,000	762,099	730,840
Freehold mineral rights tax	161,000	185,527	159,953
Tobacco tax	98,000	100,169	98,609
Insurance corporation tax	33,000	31,413	32,474
Pari-mutuel tax	10,000	9,447	10,797
Other	8,000	7,452	7,085
	2,666,000	2,552,759	2,549,691
Non-Renewable Resource Revenue:			
Crude oil royalty	2,650,000	2,916,470	2,872,913
Natural gas and by-products royalty	1,719,000	1,942,413	1,694,091
Synthetic crude oil royalty	259,000	135,058	303,830
Coal royalty	8,000	8,900	10,786
Rentals and fees	92,000	87,977	91,661
Bonuses and sales of Crown leases	475,000	662,133	486,981
Exploratory drilling and geophysical incentive credits	(178,000)	(127,992)	(73,897)
Allocation to Alberta Petroleum Incentives Program Fund	(400,000)	(437,497)	(369,696)
Royalty tax credit	(288,000)	(395,868)	(607,439)
	4,337,000	4,791,594	4,409,230
Allocation to Alberta Heritage Savings Trust Fund (a)	(651,000)	(718,739)	(756,688)
Allocation to Natural Gas Rebates Fund	(133,000)	(130,469)	(107,175)
	3,553,000	3,942,386	3,545,367
Payments from Government of Canada:			
Canada assistance plan	340,000	341,334	318,909
Hospital insurance	265,000	354,724	253,302
Post-secondary education	144,000	201,264	149,972
Extended health care	95,000	94,361	88,393
Training of manpower	45,000	47,868	46,264
Oil export charge	28,000	194,573	85,775
Other	51,000	45,341	33,685
	968,000	1,279,465	976,300
Fees, Permits and Licences:			
Motor vehicle licences	98,000	102,228	69,241
Land titles	22,000	18,836	20,643
Timber rentals and fees	12,000	18,408	16,864
Other	62,000	63,930	59,928
	194,000	203,402	166,676
Utility and Trading Profits:			
Alberta Liquor Control Board	305,000	300,000	308,500
Other	1,000	1,427	11,507
	306,000	301,427	320,007
Other Revenue:			
Investment income	70,000	140,981	147,076
Refunds of expenditure	42,000	64,706	49,922
Fines and penalties	23,000	19,548	21,096
Sales of assets	4,000	5,268	3,423
Miscellaneous	30,000	37,060	33,598
	169,000	267,563	255,115
Total general revenue	7,856,000	8,547,002	7,813,156
Heritage Fund investment income	1,530,000	1,575,285	1,469,217
Total revenue	$9,386,000	$10,122,287	$9,282,373

Schedule 7
Budgetary Revenue
(cont'd)

(a) The following table shows how the allocation of non-renewable resource revenue to the Alberta Heritage Savings Trust Fund for the fiscal years ended March 31, 1984 and 1985 was calculated. The table includes an analysis of the allocation and a reconciliation to the transfer reported by the Alberta Heritage Savings Trust Fund.

	In thousands	
	1985	1984
Net non-renewable resource revenue before allocation (i)	$4,791,594	$4,409,230
Allocation		
— 15% of preceding total (i)	$ 718,739	$ 661,385
— 15% of unearned revenue at March 31, 1983 (i)	—	4,187
— 15% of 1983-84 royalty tax credit (ii)	—	91,116
	$ 718,739	$ 756,688
Transferred during the year	$ 702,051	$ 722,524
Amount to be transferred (i)	16,688	34,164
	718,739	756,688
Decrease (increase) in amount to be transferred	17,476	(36,286)
Prior period adjustment of the Alberta Heritage Savings Trust Fund (iii)	983	(983)
Transfer reported by the Alberta Heritage Savings Trust Fund	$ 737,198	$ 719,419

(i) These amounts are reported on an accrual basis. The transfer made to the Alberta Heritage Savings Trust Fund, pursuant to the Alberta Heritage Savings Trust Fund Act, was on a basis of cash received.

(ii) Prior to April 1, 1984 royalty tax credit was deducted from taxes rather than non-renewable resource revenue and therefore had no effect on the transfer to the Alberta Heritage Savings Trust Fund.

(iii) This adjustment was required pursuant to section 5(6) of the Alberta Heritage Savings Trust Fund Act to make the amount of non-renewable resource revenue in the Alberta Heritage Savings Trust Fund for the year ended March 31, 1984 equal to 15% of the non-renewable resource revenue received in that year.

Schedule 8
Budgetary Expenditure by Department

In thousands

	1985			1984
	Original Budget(a)	Total Authorized(b)	Expenditure	Expenditure
Legislative Assembly:				
Support to the Legislative Assembly	$ 11,896	$ 11,896	$ 10,842	$ 10,911
Office of the Auditor General	9,354	9,354	9,087	8,774
Office of the Ombudsman	863	863	795	810
Office of the Chief Electoral Officer	953	953	582	623
	23,066	23,066	21,306	21,118
Departmental:				
Advanced Education	871,436	900,923	897,618	847,271
Agriculture	194,576	224,893	214,779	184,642
Attorney General	128,798	129,048	122,629	120,013
Consumer and Corporate Affairs	25,437	25,937	22,437	23,361
Culture	70,738	71,338	66,597	50,735
Revolving fund	17	17	132	(54)
Economic Development	26,327	32,581	32,347	26,049
Education	1,158,115	1,160,115	1,152,367	1,108,345
School Book Branch	2,354	2,354	(514)	57
Energy and Natural Resources	217,875	266,141	244,567	417,170
Environment	95,421	103,231	94,254	91,410
Water Resources Revolving Fund	51	51	(318)	(12)
Executive Council	131,318	135,802	130,474	124,838
Personnel Administration Revolving Fund	8	8	39	—
Federal and Intergovernmental Affairs	5,841	6,486	6,391	5,410
Hospitals and Medical Care	2,283,380	2,286,274	2,095,064	2,099,442
Housing	376,537	370,285	283,959	544,707
Labour	26,210	26,210	24,749	24,741
Manpower	83,416	153,069	137,708	94,058
Municipal Affairs	370,482	370,482	353,085	343,411
Public Works, Supply and Services	543,546	543,546	439,395	451,980
Revolving fund	(3,767)	(3,767)	3,218	698
Recreation and Parks	108,656	117,656	110,612	95,365
Social Services and Community Health	1,210,659	1,226,551	1,145,728	1,079,592
Solicitor General	225,506	225,506	214,708	211,492
Tourism and Small Business	36,756	43,829	40,682	52,227
Transportation	842,247	844,547	799,939	851,047
Revolving fund	(4,836)	(4,836)	1,255	(21,152)
Treasury	133,019	133,019	112,552	117,735
Revolving funds and other statutory appropriations	224,416	224,416	143,200	111,835
Utilities and Telecommunications	186,298	186,298	148,429	234,762
Gas Alberta Operating Fund	—	—	268	(332)
Salary contingency	1,000	1,000	—	—
	9,571,837	9,803,010	9,038,350	9,290,843
Total expenditure	$9,594,903	$9,826,076	$9,059,656	$9,311,961
Summary:				
Voted appropriations	$9,376,660	$9,607,833	$8,912,376	$9,220,921
Statutory appropriations	218,243	218,243	147,280	91,040
	$9,594,903	$9,826,076	$9,059,656	$9,311,961

(a) Reduced by $58,250,000 voted for investment purposes.
(b) Reduced by $64,850,000 authorized for non-budgetary purposes.

Schedule 9
Budgetary Expenditure — Valuation Adjustments

	In thousands		
	1985		1984
	Budget	Expenditure	Expenditure
Provision for doubtful accounts and loans	$14,000	$26,938	$18,137
Provision for reduction of investments to market	—	(10,371)	10,371
Provision for exchange on debt payable in United States funds	250	2,715	1,278
	$14,250	$19,282	$29,786

Schedule 10
Guarantees and Indemnities

Guarantees of debt obligations and indemnities that, if implemented, would be a charge on the General Revenue Fund are as follows:

	In thousands	
	1985	1984
Guarantees:		
Debentures:		
AEC Power Ltd.	$220,700	$221,690
Vencap Equities Alberta Ltd.	40,000	40,000
	260,700	261,690
Bank, Treasury Branch and Credit Union Loans:		
Corporations and individuals under various government programmes	177,080	141,288
Other:		
Federal loans	17,935	18,292
Mortgage loans	9,334	7,742
	27,269	26,034
Indemnities:		
Time Air Limited	—	9,000
Total	$465,049	$438,012

The above amounts exclude guaranteed liabilities of government entities described in the table below, net of sinking funds and intra-governmental holdings:

	In thousands	
	1985	1984
Treasury Branches Deposits Fund	$4,085,623	$3,252,773
Alberta Municipal Financing Corporation	2,830,578	2,600,528
Alberta Government Telephones Commission	336,363	483,223
Alberta Mortgage and Housing Corporation	149,697	159,721
	$7,402,261	$6,496,245

Schedule 10
Guarantees and Indemnities
(cont'd)

The Treasury Branches Deposits Fund and Alberta Municipal Financing Corporation have substantial financial assets to meet their liabilities. At March 31, 1985 the Treasury Branches Deposits Fund had financial assets of $4,106,339,000 to meet guaranteed deposits of $4,153,935,000 (1984 — $3,317,182,000 and $3,365,974,000), and Alberta Municipal Financing Corporation had financial assets of $4,991,074,000 to meet guaranteed debenture debt, net of sinking funds, of $4,564,525,000 (1984 — $4,587,620,000 and $4,316,989,000).

Province of Alberta

Consolidated Statement of Reported Assets, Liabilities and Net Assets
March 31, 1985

	In thousands	
	1985	1984
Assets		
Cash and term deposits		$ 1,804,729
Accounts receivable		2,383,737
Marketable securities (Schedule 1)		341,477
Portfolio investments (Schedule 2)		4,524,343
Long term investments (Schedule 3)		818,627
Equity in commercial enterprises (Schedule 4)		1,478,917
Loans and advances (Schedule 5)		8,217,659
Real estate held for rental and resale		23,896
		$19,593,385
Liabilities and Net Assets		
Liabilities		
Accounts and loans payable		$ 2,124,360
Unearned revenue and suspense		88,178
Unmatured debt (Schedule 6)		3,552,627
		5,765,165
Restricted profits and equity (Schedule 7)		2,438,917
Net Assets		
Net assets at beginning of year		11,262,417
Net revenue		126,886
Net assets at end of year		11,389,303
		$19,593,385
Guarantees and indemnities (Schedule 11)		$ 525,737
Trust funds under administration		$ 1,373,045

See accompanying notes to the financial statements.

Consolidated Statement of Revenue and Expenditure
For the Year Ended March 31, 1985

	In thousands	
	1985	1984
Revenue (Schedule 8):		
Taxes	$ 2,784,662	$ 2,759,464
Non-renewable resource revenue	5,229,891	4,778,926
Payments from Government of Canada	1,646,581	1,273,990
Fees, permits and licences	512,647	466,846
Utility and trading profits	369,480	162,604
Investment income	2,013,049	1,852,342
Other	201,309	165,469
	12,756,821	11,459,641
Expenditure (Schedules 9 and 10):		
Health	2,731,091	2,724,247
Education	2,384,595	2,249,140
Social services	1,051,321	985,463
Regional planning and development	700,364	610,193
Housing	147,433	427,327
Recreation and culture	226,548	198,923
Environment	146,944	180,858
Resource conservation and industrial development	1,423,306	1,352,062
Transportation and utilities	1,348,394	1,394,697
Protection of persons and property	388,345	383,480
General government	660,591	659,533
	11,208,922	11,165,923
Valuation adjustments	302,286	166,832
	11,511,208	11,332,755
Net revenue	$ 1,245,613	$ 126,886

Consolidated Statement of Changes in Financial Position
For the Year Ended March 31, 1985

	In thousands	
	1985	1984
Operating transactions:		
Net revenue	$1,245,613	$ 126,886
Non-cash items:		
Provision for doubtful accounts and loans	324,230	132,971
Amortization of discount and premium on investments and debt, net	43,906	(2,322)
Provision for exchange on debt payable in United States funds	2,715	1,278
Gains and losses retained by commercial enterprises	(61,587)	153,883
Provision to reduce marketable securities to aggregate market value and write down of portfolio investments	(24,659)	32,583
Net gains on disposals of marketable securities and portfolio investments	(23,601)	(9,198)
Amortization of deferred realized gains and losses	(3,783)	(2,153)
Restricted profits and equity	477,555	447,043
Increase (decrease) in payables	170,026	(196,559)
Increase in receivables	(76,750)	(267,153)
Unearned revenue and suspense	(21,273)	15,415
Cash provided by operating transactions	2,052,392	432,674
Investing transactions:		
Proceeds from disposals, repayments and redemptions of investments:		
Portfolio investments	1,329,764	1,768,744
Long term investments	268,245	222,157
Repayment of loans and advances	374,347	272,853
Deferred realized gains and losses	15,757	15,861
Investments:		
Portfolio investments	(1,436,724)	(2,488,317)
Long term investments	(303,669)	(471,871)
Equity in commercial enterprises, net	(166,864)	238,206
Marketable securities, net	[illegible]	208,943
Loans and advances	(875,733)	(838,691)
Real estate held for rental and resale, net	[illegible]	(18,250)
Cash applied to investing transactions	[illegible]	(1,090,365)
Financing transactions:		
Debt issues	[illegible]	3,337,684
Debt retirement	[illegible]	(3,172,265)
Cash provided by (applied to) financing transactions	[illegible]	165,419
Increase (decrease) in cash and term deposits	[illegible]	(492,272)
Cash and term deposits at beginning of year	[illegible]	2,297,001
Cash and term deposits at end of year	[illegible]	$1,804,729

Note 1
Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies:

(a) Reporting entity

These financial statements are consolidations of the financial statements of the General Revenue Fund, revolving funds, regulated funds, Provincial corporations, Provincial committees and commercial enterprises for which separate financial statements and summaries are presented in Volume 1 of the Public Accounts of Alberta, 1984-85.

Under the Financial Administration Act, Alberta Energy Company Ltd., in which the Province holds 45% (37% as of April 3, 1985) of the voting shares, does not come under the definition of Provincial corporation. The Province's investment in that company is included in long term investments at cost. Housing authorities incorporated under section 43 of the Alberta Mortgage and Housing Corporation Act and new towns incorporated under section 5 of the New Towns Act are excluded from the definition of Provincial corporation. Accordingly the accounts of housing authorities and new towns are not included in the consolidated financial statements.

The following corporations are excluded from the definition of Provincial corporation and are exempted from all other provisions of the Financial Administration Act except section 2, which provides the exemption, and section 81 respecting the approval of borrowing by the Provincial Treasurer. Accordingly their accounts are excluded from the Public Accounts and the consolidated financial statements.

(a) The board of a university under the Universities Act
(b) The interim governing body of a university under the Universities Act
(c) The board of a public college under the Colleges Act
(d) The Governors of the Banff Centre for Continuing Education
(e) The board of a technical institute under the Technical Institutes Act
(f) The interim governing authority of a technical institute under the Technical Institutes Act
(g) The Alberta Heritage Foundation for Medical Research
(h) The board of management of a Provincial General Hospital under the Provincial General Hospitals Act
(i) A mental health hospital board under the Mental Health Act
(j) The Provincial Cancer Board, and
(k) The University Hospitals Board under the University of Alberta Hospitals Act

(b) Method of consolidation

The accounts of revolving funds, regulated funds, Provincial corporations, except those designated as commercial enterprises, and Provincial committees are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Inter fund, corporation and committee revenue and expenditure transactions, financing transactions and related asset and liability accounts have been eliminated.

The accounts of commercial enterprises are recorded on an equity basis, the equity being computed in accordance with generally accepted accounting practices applicable to those enterprises.

The reporting period of eight of the Provincial corporations is for the year ended December 31, 1984. Where the transactions of those corporations significantly affect the consolidation, they have been restated to March 31, 1985.

(c) Basis of financial reporting

Revenues

Revenues are reported on an accrual basis except for net personal and corporate income taxes which are reported on a cash basis. Non-renewable resource revenue includes an estimate of revenue receivable from certain categories of resource royalty payors as well as various adjustments applicable to prior years. As the need for adjustment of this revenue is identified in future years, the adjustment will be reflected in revenue of those years.

Expenditures

Expenditures represent the cost of goods and services acquired during the year and expenditures made or accrued in accordance with the conditions of approved grant programmes, including capital acquisitions, expenditures on capital programmes and grants for capital purposes.

Pension costs are reported on a current contributions basis and no provision is made for actuarial estimates of additional annual costs.

No provision is made for accrued employee vacation entitlements.

Reported Assets and Liabilities

Reported assets are limited to financial claims on outside organizations and individuals and real estate held for rental and resale at March 31, 1985. Because income taxes are reported on a cash basis, net personal and corporate income taxes receivable are not reported.

Liabilities include all financial claims payable by the Province at March 31, 1985. No provision is made for actuarial estimates of liabilities in respect of the present or future benefits payable under Pension Acts with benefits directly chargeable to or guaranteed by the Province, other than the amount of $2,564,204,000 (1984 — $2,153,923,000) included in restricted profits and equity (see below). No provision is made for accrued employee vacation entitlements, amounts payable under the Alberta Income Tax Act, the Alberta Corporate Income Tax Act, commitments under construction or other contracts and agreements at the year end, including capital equipment leases.

Marketable securities are temporary investments; they are valued at cost or market value, whichever is lower, on an aggregate basis.

Portfolio investments are investments that are required to meet specific future obligations or to provide income over a long period.

Bonds, bond coupons and residuals, mid-term money market securities and mortgages included in portfolio investments are carried at cost adjusted for deferred unamortized realized gains and losses. Realized gains and losses on disposals of these investments are considered to be an adjustment of future portfolio yield and are deferred and amortized on a straight line basis over the lesser of the remaining term to maturity of the investment disposed of or ten years.

Common shares, preferred shares, warrants, pooled equity trust units and real estate and energy fund units included in portfolio investments are carried at cost. Real estate is carried at cost less amortization. Amortization is provided by charging to investment income amounts which increase annually, consisting of fixed annual sums together with interest compounded at the rate of five per cent per annum, so as to amortize the cost of the underlying buildings over a period of forty years. Amortization commences in the year following the year in which the real estate is acquired. Realized gains and losses on disposals of these investments are included in the determination of net revenue.

Where there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Long term investments are those that are intended to be held as long term assets; they are recorded at cost.

Real estate held for rental and resale is valued at the lower of cost and net realizable value.

Debentures included in unmatured debt are recorded at face amount of the issue plus a provision for exchange on debt payable in United States funds at the March 31 rate of exchange, less sinking fund assets. Sinking fund investments are carried on the same valuation basis as portfolio investments, at cost or adjusted cost. Treasury bills and promissory notes are recorded at issue principal less unamortized discount, where applicable.

Restricted profits and equity refers to the profits and equity of a Provincial corporation and a regulated fund included in the consolidated financial statements which are restricted by legislation and are therefore excluded from net assets of the Province.

Cash, term deposits, accounts receivable, accounts payable and debenture debt denominated in foreign currency are translated at the rate of exchange in effect at the balance sheet date. Investments and revenue items are translated at historical exchange rates.

Gains and losses arising from the translation of foreign currencies are included in the determination of net revenue except that unrealized exchange gains or losses relating to hedged monetary assets are deferred, and unrealized exchange gains and losses on forward exchange contracts which do not serve to hedge monetary assets are deferred and amortized over the term of the contracts. Amounts deferred are included in accounts payable.

Consistent with the reporting of capital acquisitions as expenditure, fixed assets are not reported.

Note 2
Changes in Accounting Policy and Reporting Practice

During the year the Workers' Compensation Board, which is accounted for in these financial statements on an equity basis, adopted the policy of having its reserves and fund balances equal its actuarial liabilities, with any resulting shortfall or excess in the balances available to meet these obligations transferred from or to its accident fund balance. Previously, any shortfall or excess between a reserve or fund balance and the calculated present value of the related liability was not reflected in the Board's financial statements. This change in accounting policy has been applied retroactively and accordingly the consolidated financial statements for the year ended March 31, 1984 have been restated. As a result of this change net revenue for the year ended March 31, 1985 was increased by $56,988,000 and net revenue for the year ended March 31, 1984, as previously reported, decreased by $116,863,000. Net assets at April 1, 1984 have been adjusted for the cumulative effect of applying retroactively the change in accounting policy by $116,863,000.

The mortgage insurance fund held by the Alberta Mortgage and Housing Corporation to insure against losses on mortgages of the Corporation has been consolidated. Previously, the aggregate of the allowance for loss on claims and unearned premium was reported net of real estate under liabilities as "reserve — mortgage insurance fund". As a result of this change net revenue for the year ended March 31, 1985 increased by $363,000 and net revenue for the year ended March 31, 1984 as previously reported, decreased by $853,000. Net assets at April 1, 1984 have been adjusted for the cumulative effect of applying retroactively the change in accounting policy by $1,491,000.

Additional adjustments of $2,106,000 were made to decrease net assets at March 31, 1984 as a result of other changes in accounting policy made in the accounts of entities included in these financial statements.

Note 3
Pension Liabilities and Commitments

The Pension Fund is a regulated fund established for the purpose of assisting the Government to meet its liability under guarantees of pensions under the six pension plans administered by the Government and referred to by the authorizing Act in the table below. The Pension Fund balance in restricted profits and equity at March 31, 1985 amounted to $2,564,204,000 (1984 — $2,153,923,000).

Actuarial valuations of these pension plans were carried out at March 31, 1985 and estimated accrued liabilities were as undernoted.

Local Authorities Pension Act	$2,684,007,000
M.L.A. Pension Act	30,215,000
Public Service Management Pension Act	904,734,000
Public Service Pension Act	1,654,033,000
Special Forces Pension Act	389,281,000
Universities Academic Pension Act	780,944,000
Total liability	6,443,214,000
Less Pension Fund balance included in restricted profits and equity at March 31, 1985	2,564,204,000
Unfunded accrued liability	$3,879,010,000

The above figures were estimated by calculating the present value, at March 31, 1985, of benefits that accrued in respect of service to that date. The valuations were based on a common set of economic assumptions, including rate of salary increases due to inflation, interest rates and rates of discretionary cost of living increases for present and future retired members. Some of the demographic assumptions used in estimating the above liabilities, including termination, retirement and salary increases due to promotion and merit, varied from plan to plan according to the particular characteristics of each plan.

Under provisions of the Teachers' Retirement Fund Act, payment of all benefits is guaranteed by the Province of Alberta. An actuarial valuation at August 31, 1983 indicated that Teachers' Retirement Fund assets were insufficient by an amount of approximately $1,332,500,000 to meet the liabilities of the fund. The actuarial valuation was based on a different set of assumptions to those used for the above Pension Acts. When preparing the 1983 valuation, the consulting actuary estimated that the unfunded accrued liability would amount to approximately $1,480,000,000 at March 31, 1985.

Note 4
Contingent Liabilities

The Province has a contingent liability in respect of a statement of claim issued on February 19, 1982. The plaintiffs are the members of the Lubicon Lake Band and the Cree Community of Little Buffalo Lake. The defendants are the Province of Alberta and a number of oil companies. The plaintiffs claim entitlement to at least 60 square miles of land in Northwestern Alberta as a reserve. They are also claiming $700,000,000 in lieu of royalties and revenues, or alternatively a reserve of 60 square miles including mines and minerals together with $200,000,000 damages, and interest on all amounts.

The Province has a contingent liability in respect of a statement of claim filed by eight Metis Settlement Associations. On February 2, 1977 it was contended that the Province had received approximately $30,000,000 from the sale, lease or rental, royalties and fees from the petroleum and natural gas rights on certain lands and that the Associations were entitled to the aforesaid monies as well as all monies thereafter accruing from these petroleum and natural gas rights.

The Province also has a contingent liability in respect of three other native land or mineral rights claims in which the amounts claimed are unspecified.

Claims pending at March 31, 1985 in respect of land acquisitions by the Capital Projects Division of the Alberta Heritage Savings Trust Fund, excluding interest and costs if any, exceed amounts expended by approximately $8,800,000. The actual liability cannot be determined until expropriation proceedings are completed.

On February 10, 1984 the City of Edmonton filed a Statement of Claim, subsequently amended on February 17, 1984 and December 12, 1984 alleging entitlement to a greater portion of the revenue generated from long distance calls originating and terminating in the City of Edmonton. The amount claimed is $116,860,000 plus interest. Because of action taken by 'edmonton telephones' under direction from the City of Edmonton, to withhold information related to long distance messages originating with customers within the City of Edmonton, the Commission has filed a Statement of Claim against the City of Edmonton. The Claim is to cover potential loss of revenue and increased billing, collection, and operating costs, which to December 31, 1984 amounted to $8,242,000. The probable outcome of these claims is not determinable at this time, as they are related to the broader issues of network interconnection, revenue settlement and operating jurisdiction currently being negotiated between the Government of Alberta and the City of Edmonton. This matter is subject to binding arbitration by a committee appointed under a memorandum of understanding dated April 24, 1985 between the City of Edmonton and the Government of Alberta.

At March 31, 1985 the Province was named as defendant in various legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $123,466,000. Potential claims amount to approximately $9,464,000. The resulting loss, if any, from these claims and potential claims cannot be determined.

The Province has a contingent liability to return to Indian Bands its share of oil export tax relating to the period October 1, 1973 to March 31, 1974 in respect of oil production from Indian lands. The Province is committed to return its share of oil export tax, which amounts to approximately $4,650,000, if the federal government makes a similar decision in respect of its share.

Details of guarantees and indemnities are shown in Schedule 11.

No provision has been made in the consolidated financial statements for contingent liabilities resulting from litigation, guarantees and indemnities.

Note 5
Contingent Assets

The Province has a contingent asset of $9,936,000 in respect of deductions made under section 20 of the Canada Health Act by the Government of Canada from payments to the Province as financial penalties for extra billing by medical practitioners or dentists, and hospital admission fees. The amounts deducted are to be accounted

for separately in the Public Accounts of Canada for the three consecutive fiscal years that commence immediately on the coming into force of the Canada Health Act. If in any of those three fiscal years extra billing or user charges have in the opinion of the Federal Minister been eliminated, the total amount deducted in respect of extra billing or user charges as the case may be shall be paid to the Province. Any settlement resulting from the resolution of this contingency will be accounted for as income of the period in which the settlement occurs.

Note 6
Segmented Information

Segmented information on net revenue (expenditure) is as follows:

	1985	1984
General Revenue Fund	$1,043,350,000	$ (59,374,000)
Alberta Heritage Savings Trust Fund	481,182,000	425,029,000
Other regulated funds	22,606,000	41,302,000
Provincial agencies	(362,405,000)	(126,165,000)
Commercial enterprises	60,880,000	(153,906,000)
	$1,245,613,000	$ 126,886,000

The above figures are before elimination of inter-entity transactions but after adjustments necessary to bring the reporting entities to the same basis of accounting as described in Note 1(c).

Note 7
Comparative Figures

The 1984 figures have been restated where necessary to conform to the 1985 presentation.

Schedules to the Consolidated Financial Statements

Schedule 1
Marketable Securities

	In thousands			
	1985		1984	
	Book Value	Market Value	Book Value	Market Value
Bonds:				
Government of Canada, direct and guaranteed	$171,351	$147,463	$189,242	$148,336
Provincial, direct and guaranteed	170,557	143,344	179,864	137,214
Board of Governors of the University of Alberta	5,097	4,879	5,142	4,870
Municipalities, school and hospital boards	3,718	2,717	4,583	3,088
Government of the United States of America, direct	2,481	2,480	2,470	2,443
Corporate	10,917	9,386	18,421	15,306
Mortgages	10,966	10,707	19,594	18,522
Mid-term money market securities:				
Promissory notes	43,690	42,410	1,344	1,282
Certificates of deposit and guaranteed investment certificates	20,400	20,320	599	599
Bond coupons and residuals:				
Government of Canada, direct	12,369	12,202	9,882	9,817
Common shares	327	87	—	—
	$451,873	$395,995	$431,141	$341,477

Schedule 2
Portfolio Investments

	In thousands			
	1985		1984	
	Book Value	Market Value	Book Value	Market Value
Bonds:				
Government of Canada, direct and guaranteed	$1,296,780	$1,344,573	$1,188,465	$1,176,804
Provincial, direct and guaranteed	1,952,576	1,937,115	1,989,409	1,852,606
Municipal	460	503	459	513
Corporate	272,904	264,304	251,665	229,293
Corporate, convertible	24,473	25,769	27,198	29,516
Government of the United States of America, direct	13,670	12,400	12,765	12,187
Mid-term money market securities:				
Promissory notes	116,390	121,813	178,309	180,108
Certificates of deposit and guaranteed investment certificates	66,565	66,921	53,995	54,460
Mortgages, participating	75,838	82,976	77,126	80,831
Bond coupons and residuals:				
Government of Canada, direct	204,110	200,516	143,913	136,666
Deferred unamortized realized gains and losses	(24,996)	—	(13,253)	—
	3,998,770	4,056,890	3,910,051	3,752,984
Common shares, preferred shares, warrants and pooled equity trust units	758,521	976,707	581,947	709,845
Real estate	53,705	53,705	24,544	24,544
Real estate and energy fund units	8,263	9,161	7,801	8,262
	$4,819,259	$5,096,463	$4,524,343	$4,495,635

Schedule 3
Long Term Investments

	In thousands	
	1985	1984
Corporate debentures:		
Vencap Equities Alberta Ltd., participating debenture	$199,999	$200,000
Ridley Grain Ltd., non-interest bearing participating series A debenture	125,170	79,344
General Systems Research Ltd., non-interest bearing participating debenture	2,500	—
Preferred shares:		
Chembiomed Ltd.	3,369	3,369
Native Venture Capital Co. Ltd., Class A	1,980	1,980
Global Thermoelectric Power Systems Ltd.	2,934	1,690
Common shares:		
Alberta Energy Company Ltd.	76,759	76,759
Pacific Western Airlines Corporation	4,285	12,917
Native Venture Capital Co. Ltd., Class A	10	10
Native Venture Capital Co. Ltd., Class B	10	10
Venture equity:		
Participation in Syncrude Project	439,035	442,548
	$856,051	$818,627

Schedule 4
Equity in Commercial Enterprises

	In thousands	
	1985	1984
The Alberta Government Telephones Commission	$1,704,041	$1,557,410
Alberta Liquor Control Board	136,648	133,645
Alberta Terminals Ltd.	18,790	18,083
The Alberta General Insurance Company	(184)	(321)
Treasury Branches Deposits Fund	(18,138)	(34,270)
The Workers' Compensation Board	(133,789)	(195,630)
	$1,707,368	$1,478,917

Schedule 5
Loans and Advances

	In thousands	
	1985	1984
Loans and advances made under the authority of:		
Alberta Municipal Financing Corporation Act	$4,987,792	$4,549,442
Alberta Mortgage and Housing Corporation Act	2,648,685	2,709,873
Agricultural Development Act	957,907	862,763
Alberta Opportunity Fund Act	159,618	168,054
Rural Electrification Revolving Fund Act and Rural Electrification Long Term Financing Act	46,957	45,334
Financial Administration Act	31,522	24,312
Municipal Land Loans Act	15,881	17,137
Department of Transportation Act	3,753	3,833
Hail and Crop Insurance Act	3,622	1,142
Department of Public Works, Supply and Services Act	818	818
Motion Picture Development Act	764	692
Cancer Treatment and Prevention Act	451	451
Students Finance Act	297	324
Cemeteries Act	85	85
Historical Resources Act	51	79
Recreation, Parks and Wildlife Foundation Act	35	35
Public Trustee Act	24	24
Homestead Lease Loan Act	6	6
The Municipal Capital Expenditure Loans Act	—	181
Miscellaneous	3	3
	8,858,271	8,384,588
Implemented guarantees made under the authority of:		
Agricultural Development Act	9,141	9,646
Students Finance Act	9,104	6,809
Feeder Associations Guarantee Act	848	900
Department of Agriculture Act	305	460
Agricultural Societies Act	242	292
Co-operative Marketing Associations and Rural Utilities Guarantee Act	138	138
Department of Tourism and Small Business Act	—	2,250
	19,778	20,495
Judgement debts	1,268	1,422
	8,879,317	8,406,505
Less allowance for doubtful loans, advances, implemented guarantees and judgement debts	409,684	188,846
	$8,469,633	$8,217,659

Schedule 6
Unmatured Debt

	In thousands	
	1985	1984
Net debt issued by:		
Alberta Municipal Financing Corporation	$2,862,910	$2,614,353
Alberta Provincial Corporation Loan Fund	333,238	100,150
General Revenue Fund	309,365	693,359
Alberta Mortgage and Housing Corporation	150,270	158,659
Alberta Resources Railway Corporation	(21,973)	(13,894)
	$3,633,810	$3,552,627

Schedule 7
Restricted Profits and Equity

	In thousands	
	1985	1984
Profits and equity restricted by:		
Pension Fund Act:		
Equity (a)	$2,564,204	$2,153,923
Alberta Municipal Financing Corporation Act:		
Profits (b)	352,250	284,976
Equity (c)	18	18
	$2,916,472	$2,438,917

(a) Represents partial funding of liabilities under the Local Authorities Pension Act, M.L.A. Pension Act, Public Service Management Pension Act, Public Service Pension Act, Special Forces Pension Act and Universities Academic Pension Act. Details of the most recent actuarial valuations of the total liability of the Province under the above Acts are provided in Note 3.

(b) Refers to a portion of Alberta Municipal Financing Corporation's shareholders' equity which is excluded from net assets of the Province. Under the Alberta Municipal Financing Corporation Act, the Alberta Municipal Financing Corporation has "the power to pay from time to time, as a rebate of interest, any profits of the corporation to shareholders of the corporation that have borrowed moneys from the corporation or sold debentures of their own issue to the corporation, proportionately as such shareholders made use of the facilities of the corporation over the period in which any such profits were derived".

(c) Represents the cost of common shares held by municipalities, counties, cities, towns, school districts and divisions and hospital boards.

Schedule 8
Revenue

	In thousands	
	1985	1984
Taxes:		
Personal income tax	$ 1,456,652	$ 1,509,933
Corporate income tax	762,099	730,840
Other	565,911	518,691
	2,784,662	2,759,464
Non-Renewable Resource Revenue:		
Royalties, rentals and fees, bonuses and sales of Crown leases	5,752,951	5,460,262
Exploratory drilling and geophysical incentive credits	(127,992)	(73,897)
Royalty tax credit	(395,868)	(607,439)
	5,229,091	4,778,926
Payments from Government of Canada:		
Hospital insurance	354,724	253,302
Canada assistance plan	341,334	318,909
Post secondary education	201,264	149,972
Oil export charge	194,573	85,775
Utility companies income tax transfers	193,795	165,793
Health care insurance	114,881	87,701
Extended health care	94,361	88,393
Other	151,651	124,145
	1,646,583	1,273,990
Fees, Permits and Licences	512,647	466,846
Utility and Trading Profits	369,480	162,604
Investment Income	2,013,049	1,852,342
Other	201,309	165,469
	$12,756,821	$11,459,641

Schedule 9
Expenditure by Object

	In thousands	
	1985	1984
Salaries, wages, employment contracts and benefits	$ 1,264,815	$ 1,256,400
Travel and communication	142,060	135,269
Services	1,141,294	1,157,175
Materials and supplies	260,789	271,691
Grants to individuals, business and other levels of government	7,709,633	7,617,193
Purchase of fixed assets	163,986	278,128
Interest	502,114	431,677
Valuation adjustments	302,286	166,832
Other expenses	24,231	18,390
	$11,511,208	$11,332,755

Schedule 10
Operating and Capital Expenditure by Major Function

	In thousands Expenditure			
	Operating	Capital	Grants for Capital Purposes	Total
Health:				
1985	$2,444,844	$ 62,758	$223,489	$ 2,731,091
1984	2,338,654	95,130	290,463	2,724,247
Education:				
1985	2,164,124	13,116	207,355	2,384,595
1984	2,040,515	14,090	194,535	2,249,140
Social Services:				
1985	1,049,269	1,445	607	1,051,321
1984	984,015	1,380	68	985,463
Regional Planning and Development:				
1985	664,661	35,703	—	700,364
1984	603,927	6,066	200	610,193
Housing:				
1985	112,710	34,723	—	147,433
1984	242,399	184,928	—	427,327
Recreation and Culture:				
1985	113,614	58,378	54,556	226,548
1984	107,734	64,290	26,899	198,923
Environment:				
1985	61,062	78,938	6,944	146,944
1984	59,654	115,073	6,131	180,858
Resource Conservation and Industrial Development:				
1985	1,357,235	59,207	6,864	1,423,306
1984	1,269,484	75,604	6,974	1,352,062
Transportation and Utilities:				
1985	633,157	474,635	240,592	1,348,384
1984	564,722	535,856	294,119	1,394,697
Protection of Persons and Property:				
1985	380,485	4,549	3,311	388,345
1984	376,929	3,524	3,027	383,480
General Government:				
1985	471,206	189,385	—	660,591
1984	449,597	204,436	5,500	659,533
Valuation Adjustments:				
1985	302,286	—	—	302,286
1984	166,832	—	—	166,832
Total Expenditure:				
1985	$9,754,653	$1,012,837	$743,718	$11,511,208
1984	$9,204,462	$1,300,377	$827,916	$11,332,755

Schedule 11
Guarantees and Indemnities

	In thousands	
	1985	1984
Guarantees:		
Debentures:		
AEC Power Ltd.	$220,700	$221,690
Vencap Equities Alberta Ltd.	40,000	40,000
	260,700	261,690
Bank and Credit Union Loans:		
Corporations and individuals under various government programmes	231,506	229,013
Other:		
Federal loans	17,935	18,292
Mortgage loans	9,334	7,742
	27,269	26,034
Indemnities:		
Time Air Limited	—	9,000
Total	$519,475	$525,737